Daily Report

Latin America

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FBIS-LAT-95-246 *22 December 1995*

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Cuba

Minister: Self-Employment Not 'Temporary Measure'

PA2112202295 Havana Radio Rebelde Network in Spanish 1800 GMT 18 Dec 95

[From the "National Radio News" newscast]

[FBIS Translated Text] Self-employment has provided a number of services to the people that the state was in no condition to guarantee, Labor and Social Security Minister Salvador Valdes Mesa, stated in a meeting with the press in Matanzas Province. On that matter, he added this modality constitutes a significant choice of employment and a way to raise personal income. Over 200,000 persons are engaged in this activity, he added.

Valdes noted that self-employment is not a temporary measure, since there will always be activities and services that will be carried out through this modality in a more efficient manner than through the state. Nevertheless, he said that this does not mean that the state will renounce its presence in some areas that have deteriorated these past years.

Majagua Oil Company Sets Production Record

PA2112202495 Havana Tele Rebelde and Cuba Vision Networks in Spanish 0100 GMT 17 Dec 95

[Report by Bernardo Espinosa; from the "NTV" newscast]

[FBIS Translated Text] Once again the Majagua Oil Company in Ciego de Avila has made the news. Weeks ago, they surpassed this year's goal and its historic record by pumping more than 162,000 tons. In the last few hours, the four oil fields that make this company surpassed a pledge they had established here. This result coincided with the new record set in the Pina oil field, which according to experts and technicians represent enormous prospects for Cuba, due to the crude's quality .

The company's workers and technicians are responsible for maintaining the sustained growth of oil production in the region. Production by the end of year will be approximately 13 percent of the national production. Notwithstanding the state of the equipment with more than 20 years of use, the crew manages to work applying different options.

On the other hand, the merging with international companies will allow the implementation of modern technologies.

The company's total production is destined to the Cabaiguan refinery where basic oils are obtained. The country saves a significant amount of resources with these operations. One ton of the product is sold for $400 in the international market.

The main goals for 1996 are to continue seeking new oil fields, and to increase efficiency of all operations. These goals match the need to set a new record.

Correction to Armed Forces Commission Inspects Army

PA1912214495

The following correction pertains to the item headlined "Armed Forces Commission Inspects Eastern Army," published in the 14 December DAILY REPORT, pages 8-9:

Page 8, column two, make subslug read: ...[Report by Orestes Casanova and Magaly Pupo; from the "NTV" newscast]... (correcting name);

Page 8, column two, paragraph one, sentence two make read: ...Army forces. This inspection [control] is centered on... (changing "control" to "inspection"); and

Page 8, column two, paragraph three, sentence two make read: ...Pedro Bethancourt, both deputies [sustitutos] to the FAR minister... (changing "substitutes of" to "deputies to")

Haiti

Lavalas Candidate Leads Election Results in Grand'Anse

PA2112225295 Port-au-Prince Signal FM Radio in French 1130 GMT 21 Dec 95

[From "The Waking Up Newscast"]

[FBIS Translated Excerpt] People are waiting for the official results of the presidential election.

The electoral results for Grand'Anse Department have been announced. Lavalas Political Organization [OPL] candidate Rene Preval received a total of 84.79 percent of the votes. According to the president of the Departmental Electoral Office [BED] of Grand'Anse, the OPL candidate won the elections in this portion of the country. A total of 74,843 people voted in Grand'Anse Department for Rene Preval. Candidate Clark Parent received 1.96 percent of the votes; Victor Benoit 1.39 percent; and Attorney Leon Jeune 1.39 percent, the same as Benoit.

Let us listen to the explanations of Grand'Anse BED President Serge Juste:

[Begin Juste recording, in Creole] We have candidate Rene Garcia Preval, who has 74,843 votes, which gives

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him a total of 84.79 percent. Following him is Jean-Jacques Parent, who has 1,529 votes, a percentage share of 1.96 percent. Victor Benoit has 1,228 votes; that is, 1.39 percent. Leon Jeune has 1,126 votes, 1.39 percent; Eddy Volel, 520 votes, 0.59 percent; Rene Julien, 856 votes, 0.74 percent; Dieuveuil Joseph, 404 votes, 0.46 percent; Richard Vladimir Jeanty, 318 votes, 0.36 percent; Jean-Arnold Dumas, 192 votes, 0.22 percent; Firmin Jean-Louis, 302 votes, 0.34 percent; Julio Larosiliere, 864 votes, 0.98 percent; Rockefeller Guerre, 609 votes, 0.69 percent; Marie-Alphonse Francis Jean, 268 votes, 0.30 percent; and finally Gerard Dalvius, 350 votes, 0.40 percent. [end recording]

These were the official results the Grand'Anse BED has announced following the 17 December presidential election. The results from the other departments have yet to come. [passage omitted]

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Zedillo: Next Year Will Be 'Better for All'

PA2212033295 Mexico City Radio Red Network in Spanish 0200 GMT 22 Dec 95

["End-of-year" message by President Ernesto Zedillo; place not given — live]

[FBIS Translated Text] Thank you very much for receiving me in your homes. I want to take advantage of this end-of-year message to speak about the situation that we Mexicans have lived through in 1995 and about the outlook for 1996.

Undoubtedly this has been a very difficult year. All of you know perfectly well the economic problems our country has faced. You know them well because they have affected your pockets, your family expenditures, the search for jobs, and because of the efforts all of us have made.

I want to assure you that everybody's efforts have been worthwhile. These efforts are allowing us to push forward. The most painful part of the crisis has been the loss of jobs, but we can begin to feel optimistic because unemployment is beginning to yield.

In recent months, some economic areas have shown a modest generation of jobs. We have made progress in resolving the reasons for the crisis, and this is now the time to check its effects.

Thanks to the will, to the character of the Mexicans, and to the fact that everybody has done its part, in 1996 the economy will begin to clearly recover.

This recovery will mean that we will begin to see that enterprises will not be shut down, but that they will begin to grow and that new ones are opened. Economic recovery is not only wishful thinking; we are going to secure it because both the people and the government have worked at it. We are going to secure it because we have all made efforts to produce a new trust in Mexico's capabilities. This trust is the basis for encouraging investments that should result in new sources of employment.

National and foreign investors have announced in the framework of the Alliance for Economic Recovery, which peasants, workers, businessmen, and the government signed, that in 1996 they will invest billions more pesos than they did this year.

The government will see to it that state investments also contribute in a healthy manner to the generation of jobs.

A country's main wealth resides in its men, women, young people, and children. This is why we will give a new push to social programs. We will promote the education of children and the training of young people and adults. We will give more support to the countryside and to the basic nutrition, food supplies, health, and social security of those who most need it.

We will also redouble efforts to fight public insecurity, corruption, and impunity.

We all want to live in a country where justice is on the side of the law and of the citizens, not at the service of political influence or money. Only by strengthening law and justice will we be able to live with our families, certain that everybody's right will be respected and that no one is above the law.

There is much to be done but we have taken important steps. No one and nothing will weaken my decision to lead the construction of an authentically lawful country where social peace is based on respect for the law and the search for dialogue.

Through law and dialogue, we have made progress in resolving problems, such as the Chiapas conflict. Law and dialogue will continue being our road for resolving differences because no problem can defeat the unity of the Mexican people.

Social peace is based on full democracy and on a clean political life. This is why elections held this year in several states have been competitive and calm. The peaceful way in which they took place are an initial expression of the true political culture of the Mexican people.

Democracy does not hurt any legitimate interest. Full democracy will benefit us all. It will strengthen Mexico, its men, and its women.

We all have a task, a responsibility, and a place in a clean political life.

The government itself should take the utmost responsibility, which is to work for all and make good use of the people's resources and confidence. Therefore, today I reiterate that I will be the first one to ensure that those working under my government actually serve the Mexican people with honesty and decency without seeking personal gain and without betraying the citizens' confidence. So demand all Mexicans. I am firmly committed to this demand and will continue to be so.

Mexicans, a difficult year will absolutely not turn us from our purpose in building a prosperous and righteous Mexico for all. We have faced serious problems and have undergone very difficult times. Nevertheless, we are not discouraged. As Mexican president, I have not been dismayed. To the contrary, my courage was strengthened by the example of the character and determination for progress shown by each one of you.

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Having shared with you this year's efforts makes me proud. This has increased even more my resolve to serve Mexicans and has confirmed my enormous faith in Mexico.

As a Mexican and as Mexican president, I remain convinced and confident that next year will be better for all. I know that we are capable of doing so and that together we will accomplish it. On these holidays, amid the tranquillity of our homes, let us enjoy the company of our dear ones and let us renew our confidence in the future. On my behalf and on behalf of my family, I wish you a merry Christmas and a happy New Year. Let us continue in 1996 working together and making efforts for our family, for our future, and for our Mexico. Thank you very much. Good night.

Zedillo: Negotiation 'Only' Solution in Chiapas

PA1912204095 Mexico City XEW Television Network in Spanish 0400 GMT 16 Dec 95

[From the "24 Hours" newscast]

[FBIS Translated Text] President Ernesto Zedillo has attended a ceremony in which Jose Vicente Aquinaco Aleman, president of the Supreme Court of Justice, presented a report on the first year of his administration. Aquinaco said that Mexican judicial authorities are responsible for recovering the lost confidence in the federal courts and for straightening the tortuous path of an effective access to justice. Aquinaco asked the Supreme Court magistrates to administer a justice system that puts an end to old vices.

President Zedillo also welcomed the senators and deputies who constitute the Harmony and Peace Commission [Cocopa] for Chiapas at Los Pinos presidential residence. The meeting lasted slightly over an hour. At the meeting, the president stressed that political negotiation is the only possible solution to the Chiapas conflict. President Zedillo reiterated his undivided support to the Cocopa for its work to promote peace.

[Begin Zedillo recording] The commitment of the federal government to find a political solution, based on dialogue and negotiation, is an invariable commitment. We are convinced that the only possible solution to the Chiapas conflict is the political path, the path of negotiation. [end recording]

The president asked the deputies and the senators to promote the changes the country has embarked upon as they go along.

Further on U.S. Delaying Admission of Mexican Trucks

PA2112191295 Mexico City XEW Television Network in Spanish 0400 GMT 21 Dec 95

[From the "24 Hours" newscast]

[FBIS Translated Text] The Mexican Government asked the U.S. Government to begin consultations on Washington's decision to delay the implementation of the transportation agreements established in NAFTA.

The announcement made by U.S. Secretary of Transportation Federico Pena to delay the implementation of the flow of cargo vehicles across the Mexican and U.S. border states could be considered a violation of NAFTA, Commerce Secretary Herminio Blanco stated. However, he clarified that this will depend on the results of the consultations that have been started.

[Begin Blanco recording] Whenever steps are announced, NAFTA stipulates that in light of measures that might be considered a violation of the treaty, the other country is entitled to begin consultations to prevent the implementation of such measures.

Herminio Blanco noted that the fears stated by the United States in light of the opening regarding land transportation along the U.S.-Mexico border are justifiable.

[Blanco] No U.S. trucker entering Mexico will receive a permit if he or his truck does not meet all Mexican regulations. The same applies to Mexican truckers trying to enter U.S. territory. [end recording]

According to Jaime Zabludovsky, international trade negotiations under secretary of the Commerce and Industrial Development Secretariat, and in keeping with NAFTA, the process to submit applications between Mexico and the United States for Mexican and U.S. vehicles to cross the border began on 18 December, and there is a 45-day deadline to provide an answer. Consequently, Zabludovsky said, there is no de facto noncompliance, but he added that we are being warned that there might be noncompliance, and this is what we are discussing in the consultations.

Secretary: U.S. Decision Would Be 'Violation' of NAFTA

PA2212042095 Mexico City EL FINANCIERO in Spanish 21 Dec 95 p 24

[Report by Lourdes Gonzalez Perez]

[FBIS Translated Text] Secretary of Commerce and Industrial Development Herminio Blanco Mendoza has stated that the unilateral suspension of NAFTA norms

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for the transportation sector "is not in the letter of the treaty's negotiations" and if implemented, it will represent a violation of the trilateral agreement.

The secretary stated his concern over this U.S. decision and described the arguments wielded against Mexican transporters and trucks as unjustified.

Blanco said that during the past three years, the transportation authorities of the two countries worked to guarantee that both the trucks and transporters of both sides comply with specifications that are norms in each of the two countries.

The secretary guaranteed that all the means envisaged in Chapter XX for the solution of controversies will be used to guarantee compliance with NAFTA and respect for agreements, to favor the Mexican sectors. National transporters will enjoy the benefits that were negotiated with the United States and Canada, he said.

On this subject, Jaime Zabludovsky, undersecretary of the International Commercial Negotiations Office of the Secretariat of Commerce and Industrial Development, said that informal technical consultations began yesterday between officials of the Communications and Transport Secretariat, the Commerce and Industrial Development Secretariat, and the Office of the U.S. Secretary of Transportation "to see the concern there is on security conditions and norms established by the U.S. authorities."

Zabludovsky confirmed that NAFTA was approved by the legislatures of the three countries and therefore it is lawful. This means that license applications for the transit of cargo trucks on border states had to be received as of 18 December, when presented, and the applications are to be processed within a period established by the agreement and this "cannot be modified because it is established in NAFTA."

It is worthwhile recalling that Monday, U.S. Transportation Secretary Federico Pena cautioned that he would receive license applications from Mexican transporters but he would not grant any licenses, presumably because of technical errors, lack of training, and the Mexican trucks' and drivers' failure to meet specifications.

However, Secretary Blanco insisted that this kind of argument is unjustified, and he will demand that the U.S. authorities comply with what is established in the treaty.

He explained: "U.S. trucks that do not comply with Mexican norms will not enter national territory, and Mexican cargo trucks that do not meet U.S. Government requirements will not enter U.S. soil either."

Zabludovsky insisted that the Mexican Government's position is clear and that he will seek compliance with the deadlines established in NAFTA. He said that "measures contrary to this are violations of the treaty."

The official explained that NAFTA does not involve any commitment about the norms between the two countries being the same.

However, he noted, there is the national treatment principle, which offers transporters from partner states equal benefits, in weight and in dimension.

He said that in some cases, because of road differences and also because of the level of industrial development, the norms are different but nevertheless foreign transporters must meet the demands that national transporters must meet.

It is worthwhile noting that restrictions announced by the U.S. Government have not been implemented yet and there is a 45-day deadline for adopting a final decision. In the meantime the consultations going on in the framework of Chapter XX of NAFTA continue.

Finance Secretary, Alliance Spokesman on Economy

PA1812165995 Mexico City XEW Television Network in Spanish 0400 GMT 14 Dec 95

[From the "24 Hours" newscast]

[FBIS Translated Text] Finance Secretary Guillermo Ortiz Martinez has said that although 1995 will be the economy's worst year, Mexico received $7 billion in direct foreign investments. During a meeting with reporters following his trip to New York, Ortiz Martinez said that investors have given a vote of confidence to Mexico, and this reflects the country's economic viability.

Earlier, during a news conference Alejandro Valenzuela, official spokesman for the Alliance for Economic Recovery, pointed out that the GDP will drop by about 7 percent this year.

[Begin Valenzuela recording] We can see today that exports, which will total $82 billion, are reaching markets that we did not have access to only 10 to 12 years ago; not even with the petroleum platform that the country managed to establish in 1979, 1980, and 1981. Thus, we have greatly alleviated the difficult crisis facing us. At present, due to the drop in GDP, which as we know will be between -6.5 and -7, the crisis would have been much worse, but extremely more serious if it had not been for the export sector. [end recording]

In his weekly news conference, Valenzuela said that inflation in 1995 will be 52 percent. He added that

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inflation increase in December is due to the fact that the dollar exchange rate is higher than the expected 6 new pesos and due to adjustments made to certain prices and rates. Valenzuela pointed out that in 1996 the government will continue its strategy of controlling public expenditures and its finances. This will lead to an inflation and interest rate reduction, he added.

Valenzuela said that following a Tesobono [treasury bond] payment on 14 December, Mexico will have paid $28,824,960,000, and thus, $381.39 billion will be left pending. He said that this week's amortization will have virtually covered 99 percent of the Tesobono total balance that existed in December 1994.

Government Withdraws Evidence Against Ruiz Massieu

PA2112202595 Mexico City NOTIMEX in Spanish 1746 GMT 20 Dec 95

[FBIS Translated Text] Newark, 20 Dec (NOTIMEX) — The Mexican Government today withdrew part of the evidence it had used so far to accuse Mario Ruiz Massieu, former deputy attorney general of the Republic, of embezzlement. The government presented a series of new documents in an effort to achieve Ruiz Massieu's extradition.

Prosecutor Alberto Rivas told the Newark Court that new evidence in the case forced the prosecution to withdraw from the case file, part of the evidence regarding the charge of illicit appropriation of approximately $750,000.

Rivas explained that some $235,000 of the initial $750,000 do not come from where it was first thought, so they must be excluded from the global embezzlement accusation.

Judge Stanley Chester, who is handling this case, decided to continue with the remaining charges and a series of new documents presented by the Prosecutor's Office.

Rivas asked the judge to accept that he and his assistant Claudia Flynn withdraw from the case "in light of these new events," so they can be replaced by two prosecutors designated by the Department of Justice, who were present since today at the Court building.

Chester accepted the motion, turned down a request of defense attorney Cathy Fleming to dismiss the case, and continued with the hearing.

The session began one hour late and the Prosecutor's Office planned to present several witnesses, the first of whom, Ernesto Guerrero, general director of Seized Properties of the Attorney General's Office (PGR), testified around noon.

Prosecutor Rivas hoped to remain in this Wednesday's session to facilitate the transition in the prosecution.

Rivas told the Court that, according to the new evidence, two deposits made by Ruiz Massieu to his personal account — one for 500,000 new pesos and the other for 300,000 new pesos — did not come from the budget assigned to the accused during 1994.

He indicated that the 500,000 new pesos were part of a 50-million new peso allotment, that was divided in 100 [words indistinct] checks for 500,000 each and distributed to different PGR officials in 1994.

The 300,000 new pesos deposit originated, according to the new version of the Mexican Government, in a 57-million new pesos account that was divided in October of 1994 in 250 checks for different amounts, in the name of different people.

Up to now authorities have not determined who were the recipients of the 249 portions. Ruiz Massieu said that that income came from two awards he received from the federal government when he resigned his post last year.

That income of 500,000 and 300,000 new pesos, at the 1994 exchange rate, were the $235,000 that were withdrawn from the embezzlement accusation.

Peasants Report Police Force, Arrests, Destruction

PA2012033995 Mexico City LA JORNADA in Spanish 13 Dec 95 p 12

[By Juan Balboa]

[FBIS Translated Excerpt] Comitan, Chiapas, 12 Dec — The Emiliano Zapata Peasant Organization [OCEZ] confirmed yesterday evening that State Public Security Police officers forceably evicted peasants and Indians from three localities in border municipalities of Chiapas State, arrested 100 peasants, who had been in possession of that land since last year, and destroyed more than 200 Indian and peasant huts.

Rosendo Gutierrez Juarez, an OCEZ leader, has denounced that the people who lived in Arturo Albores and Ocho de Agosto, in Frontera Comalapa Municipality, and in Lindavista, Trinitaria Municipality, were expelled by police — supported by soldiers and farm owners — and charged that as a result of the operation, three peasants are missing.

Reports from the Coordinating Board of Nongovernment Organizations for Peace in San Cristobal de las

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Casas have reported evictions in two additional locales in the same municipalities.

According to Gutierrez Juarez, 300 public security officers, 60 soldiers, and 50 judicial agents, participated in the operation. [passage omitted]

Gutierrez Juarez confirmed that 100 peasants are under arrest in Arturo Albores and another nine have been transferred to the city of Tuxtla Gutierrez, Chiapas State's capital. [passage omitted]

In Arturo Albores, the police looted and destroyed the homes made mostly of wood, cardboard, and plastic material, and arrested 40 OCEZ members.

Gutierrez Juarez said that approximately 300 police officers, shielded by a cloud of tear gas, beat and arrested the peasants and looted the small huts of approximately 100 families.

Gutierrez Juarez pointed the finger at state Attorney General Jorge Enrique Hernandez Aguilar and Governor Julio Cesar Ruiz Ferro for ordering the police action against the OCEZ families. OCEZ forms part of the Democratic State Assembly of the People of Chiapas.

The farmers took possession of this land in February 1994. They called the town Arturo Albores, in honor of an OCEZ founder murdered in Tuxtla Gutierrez during the Patrocinio Gonzalez Garrido administration.

The eviction was confirmed by government under secretary of Francisco Torres Vera, who explained that the objective of the government's operations was to recover invaded farms to reestablish legality in the state.

This official reported that 40 persons were arrested and sent to the state's Prosecutor General's Office.

He said that the prosecutor is keeping open penal files 122, 123, 124, 125, 144, and 146 of July 1994 against leaders and peasants of regional independent organizations who are accused of invasion, injuries, and other crimes.

Role of Speech in Colosio Killing Viewed

Cordoba Draft Noted

96CA0073A Mexico City PROCESO in Spanish 20 Nov 95 No 994, pp 6, 8-9

[Article by Alvaro Delgado]

[FBIS Translated Text] In the waning days of February 1994, as Manuel Camacho's efforts in Chiapas began to eclipse the PRI [Institutional Revolutionary Party] presidential campaign (often described as "lifeless"), Luis Donaldo Colosio received a package at his PRI office from the powerful chief of the Office of the Presidency, Jose Cordoba Montoya.

It was a draft of the speech that Colosio was to give on 6 March, on the occasion of the 65th anniversary of the PRI. The draft speech was written "obviously" to emphasize the idea of the social liberalism of the Salinas doctrine.

The candidate, who as leader of the PRI and secretary of the Social Development Secretariat (Sedesol) often received "suggestions" from Cordoba, "read through the text with his Mont Blanc pen in his left hand, and crossed out entire paragraphs in sepia, his favorite color."

Party of the Democratic Revolution (PRD) member Andres Manuel Lopez Obrador describes this episode in his book "Entre la historia y la esperanza" ["Between History and Hope"], citing Ignacio Rodriguez Castro, coordinator of special projects for the presidential candidate as the source. Lopez Obrador believes that Colosio's attitude and the speech he gave at the Monument to the Revolution on 6 March "precipitated the falling-out with the men of Los Pinos."

"It was a clear message to Cordoba and Salinas that Colosio had decided to declare his independence from them, and, therefore, they should give testimony about the murder at Lomas Taurinas."

Rodriguez Castro, Colosio's adviser since 1988, confirmed the story in an interview with PROCESO. He explained that Cordoba sent a 14-page document on 22 February to help the presidential candidate draft his speech for 6 March.

"There was a steady flow of correspondence between the Office of the Presidency and the PRI, first, and between it and the Sedesol, second," he revealed. He denies, however, that it was the speech that led to Colosio's falling-out with Carlos Salinas and Jose Cordoba, and that the plot to murder Colosio arose out of that.

"That speech had nothing to do with Colosio's death. That is absurd. Besides, the president saw the speech, and he approved of it completely," Rodriguez Castro declared.

The lengthy document that Colosio read elicited a variety of reactions from that day forward.

"Some expressed annoyance at the attitude of the PRI candidate, especially because of the 6 March speech," recall Cesareo Morales and Samuel Palma, members of Colosio's speech-writing team, in their book "Colosio, la construccion de un destino" ["Colosio, Building a Destiny"], which came out this year.

The candidate, they write, was aware that members of his campaign staff were worried. He would always

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soothe them: "There is no problem. As long as the president is on our side, we have no cause to worry."

Opponents Suspicious

Some interpreted the speech as an effort to distance Colosio from the neoliberal policy implemented by the Salinas administration. Others, however, thought just the opposite:

Cuauhtemoc Cardenas, presidential candidate of the PRD, evaluated the speech that same day: "It is a statement concocted for political propaganda purposes." He did not see any evidence of a falling-out with Salinas and Cordoba:

"He has not broken away from Carlos Salinas, he has not said what kind of relationship he has with Jose Cordoba Montoya, nor has he specified how they want things to be different."

The general secretary of the National Action Party (PAN), Felipe Calderon Hinojosa, expressed skepticism about the message and declared that "we would have to ask the PRI presidential candidate how far he would be willing to reduce the powers of the president of the republic and to have a democratic contest for the candidacy."

He scornfully challenged Colosio to vie with Manuel Camacho for the candidacy; at that time, Camacho's feverish activity was overshadowing Colosio's campaign.

Other parties, such as the Mexican Democratic Party (PDM) and the PVEM [Mexican Green Ecologist Party], described Colosio's message as lacking credibility, and they concurred that there was no sign of any rupture between the PRI candidate and Salinas.

Rodriguez Castro, Colosio's "private adviser," says that he was privy to the suggestions and recommendations that Cordoba continued to give to the candidate from the time he became leader of the PRI, and contends that there was never any confrontation with Salinas and Cordoba:

"There was never any ideological problem between Salinas and Colosio, either during the presidential term or during the campaign. Nor did Salinas or Cordoba manipulate Colosio."

"Suggestions" Thrown Out

In his book, PRD member Lopez Obrador discusses the suggestions sent over by Salinas' powerful adviser:

"Cordoba's objective was clear: The future president of the republic was to do nothing less, on the occasion of his party's anniversary, than to endorse Salinas' entire neo-liberal program, and therefore the entire implementation of economic policy by Cordoba himself.

"The idea behind the draft speech sent to Colosio was to use the occasion of that memorable day for the PRI to endorse not only the economic program, but also its authors: The president and his adviser. That would guarantee the future for both of them, and would ensure their protection.

"Cordoba Montoya forgot something very important, however: Colosio was no longer an employee of Salinas or him; he was a candidate for president of the republic."

A 50-year-old economist, a PRI member who describes himself as "disciplined, but not domesticated," and the author of various books on politics and economics, Rodriguez Castro provides more details of the episode.

He notes, however, that "that summary, the result of many conversations with Lopez Obrador, is skewed in such a manner that it implies that Cordoba attempted to manipulate Colosio, which is not true."

For seven years a "direct and personal" adviser to Colosio ("let us say a private strategist"), Rodriguez Castro tells how Colosio received the 14-page document sent by Cordoba to his PRI office to help him write his message.

The document was written on the same computer, with the same typeface, "with little dashes and paragraphs," that Cordoba had been using since the beginning of the presidential term. Colosio's former adviser still expresses surprise that Cordoba sent the recommendations 13 days in advance. "He was involved in nearly everything, or in everything," he says.

Sitting at the desk in his office, accompanied only by Rodriguez Castro, Colosio commented that the 6 March speech should above all set forth his idea of reforming power.

"Of course Cordoba's notes did not satisfy Colosio; they were not what he wanted, because they talked about classic themes in the vocabulary of the Salinas administration: Modernization, globalization, the 'landing' of the macroeconomic program.

"Colosio read the document page by page, very respectfully and very carefully, and yes, he did cross things out. He said, 'No, no, no.' He crossed things out with big X's. In the end, he kept two of the 14 pages, and shredded the rest," Rodriguez Castro says with animated gestures.

[Question] He shredded the pages?

[Answer] He shredded the notes. He habitually did that with all confidential documents.

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[Question] What part of what Cordoba sent did Colosio keep?

[Answer] I do not recall, but I think there were some political concepts that were very much in the Salinas style, and he wanted to conserve those basic political concepts, such as the social part. As for the political part, I think they talked about social liberalism, and he kept that as well. That did not bother Colosio.

[Question] What comments did Colosio make about Cordoba's suggestions?

[Answer] That it was not what he wanted. He wanted a speech with a lot of spirit, with our own program, he wanted to see our ideas reflected in it, and above all, he wanted us to move toward reforming power.

Salinas and Cordoba Did It

But the assassination of Colosio on 23 March at Lomas Taurinas, Tijuana, brought to mind the 6 March speech, and it was even viewed as the motivation for the murder. A year later, suspicions were heightened.

PRD Senator Guillermo del Rio Ortegon, member of the Senate committee that is following up on the investigations of the case, attributed the assassination to the 6 March speech:

"Colosio was killed for having defined the policy that best suits Mexico in that speech on 6 March at the Monument to the Revolution. That definition caused a shiver among those who hold the reins of power in this country."

He blamed Salinas for the murder: "All signs point to him as the principal mastermind of the crime."

Cautiously, the chairman of that Senate committee, Angel Guerrero Mier, demurred: "There is no point in speculating about names."

Zedillo Besieged

Rodriguez Castro divides the members of Colosio's campaign staff into three categories: One, "the classics, the heirs," who went to school with him at the Technological Institute in Monterrey or in the United States. Another group was made up of journalists, intellectuals, and artists whom he recruited himself as part of his political work after the campaign began. And the third category consisted of people who knew him from his days as a deputy and senator, or who worked closely with him from the time of Salinas' campaign until his own was launched.

Those in the "third circle" were characterized by their activism, as they still are: "They felt, and still feel, that they are the keepers of the candidate's secrets, and every once in a while one of them will say or write something that smacks of cheap sociology and makes me laugh, because I knew him."

"The classics," on the other hand, "felt that they owned Colosio within the PRI, in the Sedesol, and of course when he became the presidential candidate and the future president. These classical Colosists formed a scab around Colosio, and they are the ones who are now dragging his body around, demanding justice."

[Question] Soberanes, Hopkins, Palma?

[Answer] No, I will not name names. But they were really the ones who squeezed out the general coordinator of the campaign, Ernesto Zedillo; they were the ones who took over the campaign and practically blockaded Zedillo on all sides. His private secretary, Alfonso Durazo, with great generosity and political warmth, would make sure Zedillo had quick access to the candidate.

[Question] Does the letter that Zedillo sent to Colosio on 19 March have anything to do with this?

[Answer] I did not see that letter, but it indicates precisely the problems Zedillo had in trying to communicate more frequently and freely with the candidate, because the classical Colosists would bar the door to him. They felt like they owned Colosio; they thought he was their property, their baby.

[Question] Who are they?

[Answer] No, all you have to do is look at who went to school with him.

"Those who were affected, and those who were not affected, have tried to reconstruct the story in accordance with their own perceptions. That has damaged a principled, capable, and patriotic man, Zedillo; and I think they have unfairly harmed Salinas and Cordoba."

[Question] It would appear that you are a Salinist.

[Answer] No, I did not even know him. I am a Colosist from start to finish. My political destiny was tied to Colosio, and when he died, that was the end of it. Can you imagine what that means for a man's political life?

Colosio, he says, promised to make him a federal deputy in the next elections. He had established ties with him on the advice of his friend Esteban Moctezuma, former interior (Gobernacion) secretary, during the Salinas campaign.

Like Calles, a New Party

Rodriguez Castro explains the plans that Colosio had for the future, and that Lopez Obrador reveals in his book "Entre la historia y la esperanza":

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"Colosio had a very clear vision of the real change that Mexico needed, particularly in the economic, political, and social spheres. His closest advisers, not those who were identified to the public as such, had a new design for revamping the entire political system in Mexico.

"The centerpiece of that proposal was the so-called reform of power, which was aimed at redistributing power among the new political, economic, and social players in modern Mexico. The man from Sonora intended to follow in the footsteps of fellow Sonoran Plutarco Elias Calles, replacing the PRI with a new party. As in Calles' time, the new party would include all social and political forces operating in contemporary Mexico that have ceased to participate in the PRI, and indeed are fighting against it.

"In his speech, Colosio subtly borrowed some basic ideas from the opposition parties, especially the PRD. In fact, Cuauhtemoc Cardenas publicly insinuated that Colosio was appropriating some of the planks of his political platform. That was not untrue. The real goal was gradually to merge with the possible protagonists of a new and great party that would propel the Mexican political system toward the year 2000.

"The idea was that after assuming office, Colosio would bring together all the political forces in the nation to build a new great party, because he was convinced that Mexico functioned historically not only as a one-man country, but also as a country of one great party.

"One of the forces Colosio envisioned joining the new great party was none other than the PRD. Of course, he would invite other parties, even the PAN. But he did not think the PAN would accept, because it represented a conservative movement."

Rodriguez Castro claims that this plan was his idea, and Colosio fell in love with it. "Another party of the state?" he is asked.

"No, this time, rather than a party of the state, it was to be a party of society."

The idea was that, when the time came, the natural leaders, heads of independent, worker, student, and peasant organizations and nongovernment organizations (NGO) that had been identified throughout the campaign, would be brought together.

"That was the part of the campaign that was not made public," reveals Rodriguez Castro, who says that Colosio had no problem with Manuel Camacho. He believes that there was room for Camacho in the plans for the new party.

"I have the impression that Camacho himself would be invited to be president of that great party, because Colosio did recognize his ability to negotiate."

They Did Not Do It

The former coordinator of special projects on the candidate's staff does not believe Salinas or Cordoba had anything to do with the assassination of Colosio.

Colosio, he contends, had plans for Cordoba. "One time I said to Colosio that in view of the tone of his messages, it appeared that he was looking for a way to fit in. 'And he will fit in, but not where he is now. I think that office should disappear, because the vice presidential office has been messed with a lot,' he replied."

And Salinas, he reasons, was bold and audacious, but he was not crazy, and he had very specific plans. "The assassination of the candidate, whom he had presumably been grooming for six years, brought about a total collapse. It was like an architect blowing up his own work."

That is why he asserts, "I do not believe the hypotheses, the statements, all that business about their being the ones. I do not exonerate them, but as a political analyst, I do not see it. Especially not for the 6 March speech."

The day after Colosio gave the address that caused such contradictory interpretations, the issue of PROCESO appeared in which the presidential candidate was interviewed by reporter Elias Chavez. Here is an excerpt from that interview:

[Question] Your admiration for Mr. Salinas de Gortari is well known. Yet regardless of your effusive praise of him, he is fallible. What errors has the president made in leading the country, in your opinion?

[Answer] I do not believe in judging others from on high. The president and the Mexican people have made a great effort to move ahead. On a personal level, we have a great friendship and are very close. As a government official, within my area of responsibility, I have shared efforts, commitments, and goals with him. I know that he has always been driven by a great love for Mexico. And I also know that there are always things that can be improved."

The Famous Letter

The speculation about a falling-out between Colosio and Salinas took on a new dimension on Tuesday, 3 October of this year, when the newspaper REFORMA published the letter that Ernesto Zedillo, then coordinator of the PRI presidential campaign, sent to Luis Donaldo on 20 March 1994. In it, he recommended, among other

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things, that he forge "a political alliance with the president."

Within that alliance, according to Zedillo, the candidate should reach an agreement with Salinas to show him any speech he planned to give that contained criticism of government policy. This was interpreted to mean that the speech of 6 March had not been revealed to Salinas before it was given.

Alfonso Durazo, Colosio's private secretary for six years, was asked by PROCESO about the significance of Zedillo's letter. He replied that one of the basic hypotheses about the Colosio assassination, "which has won widespread acceptance in public opinion, is that the masterminds were people at Los Pinos, specifically Jose Cordoba Montoya and Carlos Salinas.... That hypothesis is based on the assumption of a falling-out between Luis Donaldo and Carlos Salinas. In that regard, the letter is just one more of many pieces of evidence pointing to such a rift...."

Text of 6 March Speech

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["Text" of address by Institutional Revolutionary Party (PRI) presidential candidate Donaldo Colosio, on occasion of 65th anniversary of the PRI, at the Monument to the Revolution, Mexico City, 6 March 1994]

[FBIS Translated Text] Fellow party members, compatriots:

Here we see the PRI in all its strength; here we see the PRI with its organizations; here we see it with its membership, with the sensitivity of its women and its men; here we see the PRI with its strong political calling; here we see the PRI encouraging citizen participation; here we see the PRI maintaining peace and stability in the country, preserving unity among Mexicans; here we see the PRI on a battle footing; here we see the PRI celebrating one more year of intensive political activity.

Here we see the PRI that recognizes achievements, but also knows about insufficiencies, knows about unsolved problems. Here we see the PRI that recognizes that economic modernization makes true sense only when it translates into a better life for Mexican families, and that to be lasting, it must be accompanied by the strengthening of our democracy. This is the demand we face, and we will respond to it with vigor.

The PRI recognizes its responsibility, and that responsibility is of the utmost importance for the political advancement of Mexico.

We in the PRI know that being the heirs of the Mexican Revolution is a source of great pride, but it does not guarantee our political legitimacy. We must win that legitimacy day by day with our proposals, our actions, our arguments. As a party, we were born in a process of which we are all proud: The PRI prevented Mexico from falling into the vicious circle that plagued so many brother countries in Latin America, where decades were squandered vacillating between anarchy and dictatorship. Stability, domestic peace, economic growth, and social mobility are assets that would have been unimaginable without the PRI. But our heritage should be a driving force, not an excuse for complacency or stagnation. Only authoritarian parties presume to base their legitimacy on their heritage. We democratic parties earn our legitimacy every day.

Friends of the party:

We emerged from a revolution that is still providing outlets for popular demands today. We owe our existence to its principles of democracy, liberty, and justice.

The ideals of the Mexican Revolution inspire the tasks of today. The Mexican Revolution, humanist and social, is very exigent and demanding of us. The Mexican Revolution is still our brightest beacon today.

We will be in the vanguard of a new stage in the political transformation of Mexico. We know that in this process, only Mexican society is guaranteed a role. We political parties must validate our vision.

At this time, the PRI's strength comes from our capacity for change, from our capacity for change with responsibility. The nation demands it.

Our vision and our historic ties to the government have assured us of the opportunity to participate in the major changes that have taken place in the country. The government's strength has been, in large measure, the strength of our party.

But now the times are different: Only our capacity, our own initiative, our presence in Mexican society and our labor will give us strength.

There can be no substitute for our effort, no one can guarantee us a role in the transformation of Mexico if we do not fight for it, if we do not earn it from the citizens.

Gone are the days when the political struggle took place primarily in the interior of our organization, not with other parties. That is a thing of the past. Today we live in a competitive environment, and we must face up to the competition. To do that, we must leave behind old ways: The ways of a PRI that talked only to itself and

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to the government, of a party that did not have to make a great effort to win. As a party in competition, the PRI today does not have guaranteed victories; it must fight for them, and it must assume that in a democracy, only victory will lend stature to our political presence.

When the government has tried to concentrate political initiative in its hands, that has weakened the PRI. For this reason, today, as we enter the political arena to do electoral battle, the PRI asks only that the government be impartial and strict in enforcing the law. We do not want any concessions outside the bounds of the vote, and we do not want any votes outside the bounds of the law!

We have no intention of assuming the responsibilities of the government, but neither do we intend that the government should assume functions that are incumbent only upon us as a party.

Today we face real competition. The government will not give us victory: Victory will come from our work, our effort, our dedication.

The advent of political competition in our country has done away with any presumption of the existence of a state party. The advent of political competition represents a great opportunity for us as a party to turn our great strength into independence from the government.

Today we are the option that offers change with responsibility; we are the option that best knows what has been done, that knows the results of the programs, what they have done right and what they have done wrong; we are the option capable of keeping what has been successful; and we are the option for finding new answers for unsolved problems.

We do not see change as an indiscriminate rejection of what others have done. We see it as the ability to learn, to innovate, to overcome deficiencies and obstacles. Let us change, yes! Let us change, but let us do it with responsibility, consolidating the real progress that has been made, and of course, keeping what is ours: Our values and our culture!

Mexico does not want political adventures. Mexico does not want to return to schemes that were in power before and proved ineffective. Mexico wants democracy, but it rejects the perversion of democracy, demagoguery!

We offer change with direction and responsibility, with peace, with tranquillity. It is a mistake to think that the democratic transformation of Mexico requires the demise of the PRI.

Of course we have not been immune to error, but it would be difficult to explain contemporary Mexico without the contribution made by our party. That is why, despite the criticism of our opponents and our detractors, we are proud to be PRI members. We must admit that today we need to reform politics to fulfill our obligations to the Mexican people. We propose to reform power so that there will be a new relationship between the citizen and the state.

Today, in the presence of the PRI membership of Mexico, in the presence of the Mexican people, I pledge to reform power to make it democratic and to eliminate any vestige of authoritarianism.

We know that the root of many of our problems is the excessive concentration of power, which leads to erroneous decisions, to the monopolization of initiatives, to abuse, to excess. Reforming power means subjecting the presidency to strict constitutional limits, in keeping with its republican and democratic origins.

Reforming power means strengthening and respecting the attributes of the Federal Congress. Reforming power means making the justice system an independent entity worthy of the greatest respect and trust among the institutions of the republic.

Reforming power means taking the government to the communities through a new federalism. It also means new methods of administration, so that every citizen can obtain efficient and timely responses when he needs services, when he has problems, or when he dreams of better opportunities for his children.

These are my commitments to reforming power. That is how I think every citizen will obtain more freedoms, more guarantees that his interests will be respected, that he will enjoy security, and that the law will be enforced with impartiality.

We in the PRI believe in change with responsibility. That is why we have made new proposals and assumed new tasks. That is why we were the first to call for a debate among the candidates for president of the republic. We have encouraged agreements among the parties; we have proposed the revision of the voter rolls; we have asked for the participation of observers throughout the electoral process and for a system that will release timely results.

That is why we have also resolved to make public all of our expenditures. We are in favor of electing candidates to various elective offices by popular vote.

My friends:

We must seize this opportunity to strengthen our organization. All of us in the PRI have a task to fulfill; we all have a responsibility to assume.

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We do not want the nomination of candidates we PRI members did not even know belonged to the party.

We assume all these commitments to republican reform, to democratic and federal reform; to reform of procedures and of their context; to internal reform of the PRI. And we do this because we are aware that Mexican society has changed, and that it therefore demands a change in political practices.

The PRI will participate in the 21 August elections with civility and with respect for our pluralism. As the PRI candidate for the presidency of Mexico, I reaffirm my unshakable commitment to the democratic transformation of Mexico.

Let there be no mistake: That day, there can be just one winner; the only possible outcome is the clear and unassailable triumph of the Mexican people.

And for the Mexican people to triumph on 21 August, the political parties, all of us, must obey the law and only the law, without giving advantages to anyone, without arrogance, without abuse, and without arbitrariness.

For this reason, in keeping with the demand for a democratic election, I want the Congress of the Union to decide upon the appropriate electoral reforms, bearing in mind at all times the consensus we parties have been building in the context of the Agreement for Peace, Justice, and Democracy, which was signed on 27 January.

I want us to work together to expand the autonomy and strengthen the impartiality of our electoral institutions so that the popular will, and only the popular will, will determine the outcome of the voting.

Reliable, certain, regular, and clean elections can no longer remain mere aspirations; they must become a reality that is engraved on the consciousness of the citizenry. Hence our commitment to the participation of observers in the electoral process.

Elections belong to society, and therefore they cannot be a closed matter. To be open, they require the participation of observers, and both our own citizens and international visitors must bear witness in the broadest possible manner. We have absolutely nothing to fear from those who want to study the nature of our democratic processes.

Our elections, and I say this in all sincerity, will have no embarrassments to hide.

The PRI will be in the vanguard of democratic progress in Mexico, assuming its responsibilities and responding to the demands of Mexican society.

During these intensive months of touring the country, I have visited many communities and had contact and dialogue with my party and with the citizens in general, and I have seen a Mexico of just claims, old grievances, and new demands; a Mexico of hope, one that demands answers, one that cannot wait any longer. That is the Mexico that brings us together here today; that is the Mexico that appeals to my conscience; that is the Mexico to which we will have to provide security and direction in this new era of change.

I see a Mexico of indigenous communities whose needs for justice, dignity, and progress cannot wait any longer; indigenous communities that derive great strength from their cohesion and their culture, and that are willing to believe, to participate, to build new horizons.

I see a Mexico of peasants who have still not gotten the answers they deserve. I have seen an impoverished and indebted farm sector, but I have also seen a farm sector with the ability to react, to bear fruit if adequate incentives are put in place and allowed to take root.

I see a change in the countryside: A farm sector with a great vocation for production, a farm sector that is destined to play a decisive role in the new era of progress in our country.

I see a Mexico of workers who cannot find the jobs or the wages they demand; but I also see a Mexico of workers who have plunged into productive effort, and to whom we must respond with jobs, with education and training, and with better wages.

I see a Mexico of young people who face every day the plight of joblessness, who do not always have available to them opportunities for education and training. Often these young people are driven into a life of crime, to drug addiction; but I also see young people who, when they have the support, when they have the opportunities they demand, participate vigorously and decisively in the progress of the nation.

I see a Mexico of women who do not yet have the opportunities they should, women with a great capacity to enrich our economic, political, and social life. Women, in short, who demand a more fair and full participation in the Mexico of today.

I see a Mexico of businessmen, of small and medium-sized businesses, sometimes discouraged by the bureaucracy, by the tangle of red tape, by the arbitrariness of the authorities. They are creative and dedicated people who are willing to work, willing to run risks, who want opportunities and demand an economy that will give them more favorable conditions.

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I see a Mexico of professionals who cannot find jobs that will help them cultivate their aptitudes and their skills. A Mexico of teachers, of college professors, of researchers who are asking for recognition for their professional life, for an increase in their income, and for more favorable terms for the fruits of their academic labor; technicians who are seeking opportunities to contribute their best efforts. All of them are the men and women who have contributed so much to building the country we live in, and we owe them an answer.

I see a Mexico with hunger and thirst for justice. A Mexico where people are upset by the fact that those who are supposed to serve the law are actually distorting it. Where men and women are subjected to abuse by the authorities or arrogance on the part of government offices.

I see citizens anguished by the lack of security, citizens who deserve better services and responsible governments. Citizens who do not yet have a sense of defeatism about the future; citizens who have hope and are willing to do their part to achieve progress.

I see a Mexico convinced that this is the time to respond to a Mexico that is demanding solutions. We can overcome the problems that face us.

I intend to lead a government that will answer to all Mexicans. Change with direction and responsibility cannot wait.

I pledge my deepest commitment to Chiapas. That is why we must listen to all voices; we must not allow anyone to monopolize the feelings of Chiapans. I express my solidarity with all Chiapans who have not yet told their truths, who have a voice with which to speak, and who have words to say.

We must commit ourselves and make a decision. We must decide whether to commit ourselves entirely as a pluralistic society, or to grant to a few the power to represent our interests.

Chiapas is a call to the conscience of all Mexicans. But our proposal for change is not limited to responding only to Chiapas. We want to respond to all Mexicans, those of all towns, of all neighborhoods, of all communities.

We want to be true to Chiapans, but also to the Mexicans of the Huasteca region, to those of the Laguna region, to those of the Montana region of Guerrero, to those of the northern mountains of Puebla, to those of Tepito, and to those of the ravines of Alvaro Obregon, here in the Federal District; to those of the port of Anapra in Ciudad Juarez, Chihuahua; to those of the Insurgentes district in Guadalajara, Jalisco; and to those of San Bernabe, in Monterrey, Nuevo Leon.

My commitment is to all Mexicans: It is to fight against inequality and to avoid creating new privileges for groups or regions.

In the face of conflict, we Mexicans have confirmed that we are essentially united under one flag and that we have a desire for harmony.

Our institutions have proven their legitimacy and their efficacy. Resolving conflict has made them stronger.

As I stand here today, I hail the Mexican Army for its patriotism, loyalty, and dedication to defending the national interest and national unity.

We PRI members should stop and reflect on Chiapas. As the party of stability and social justice, we are ashamed to realize that we were not sensitive to the great demands of our communities; that we did not stand by them in their aspirations; that we were not up to the commitment they expected of us.

We must engage in that self-criticism and abandon practices that have made us a rigid organization. We must overcome the attitudes that weaken our capacity for innovation and change.

Let us regain our initiative, our strength, to represent the best causes, to point the way to peace, to respond to injustice. Let us recover those values, and let us do so in this campaign. Let us begin by affirming our identity, our militant pride, and our independence from the government.

It is time for a new economic impulse; it is time to grow without losing financial or price stability. Leaving aside technical goals, the economy must serve the Mexican people.

That is why the new economic growth must be distributed more equitably, with jobs that grow and pay a sufficient wage.

Let there not be the slightest doubt: Mexico will end this century with a much stronger economy. The conditions are right for doing it; society demands it. The task of growth with stability will be the task of all Mexicans.

It is time for all to be confident, time to translate strong national finances into strong family finances; it is time to turn economic stability into higher income for blue-collar workers, for peasants, for ranchers, for merchants, for white-collar workers, for office workers, for artisans, for professionals, for intellectuals, and for the teachers of Mexico.

It is time to provide effective support and incentives for the effort made by the men and women who run micro-, small-, and medium-sized businesses. They should be

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helped to overcome their difficulties and to expand their businesses with better technology so that they can be more competitive on the market.

It is time to do fierce battle against inequality, to overcome extreme poverty, to guarantee education, health, and decent housing for all. That is the social reform I spoke of in Huejutla. It is time to do justice to our indigenous peoples, to bring them out of neglect and deprivation, to respect their dignity. As I said in San Pablo Guelatao, Oaxaca, it is time to enter into a new pact between the Mexican state and the indigenous communities.

This is the time for new opportunities for the Mexican rural sector, as I pledged in Anenecuilco, Morelos. It is time to confront poverty decisively and firmly, and to improve peasants' standard of living.

It is time that Article 27 of the Constitution translated into well-being, justice, and liberty for rural dwellers. And it is time to do away with all vestiges of the latifundio once and for all; it is time to lend certainty to the ejido, to communal lands, and to small holdings. It is time to promote an agrarian reform that is in keeping with our times; to promote more and better investment in the rural sector; to provide better and more effective encouragement to peasants so that they will participate freely; to find a solution to the problems of past due farm loans, of scarce and expensive credit; to encourage producers to join efforts; to establish more savings banks and more credit unions, and to implement new marketing mechanisms. It is time for the regions of Mexico to make better use of their resources, to make better use of the capacity and talent of every community in the country, every city in our country, every state in the republic; it is time for a regional development that will open the doors to hope in every corner of Mexico, and that will channel resources to maintain the highway, railroad, port, water, and power infrastructures.

It is time to overcome the arrogance of centralism, as I said in Jalisco, and to lend decisive support to municipal governments; it is time to give greater political and financial power to our states, as I said in Tabasco; it is time to provide full guarantees for the conservation of our natural resources, our environment, our ecology.

It is time for quality, nationalist education; it is time to educate for competitiveness; this is the hour of our grade schools, our technological institutes; this is the hour of the public university in Mexico; this is the hour of the great infrastructure to train all Mexicans who want to progress. Education is our greatest battle for the future. We will devote more resources to it.

It is time to reform power, to establish a new equilibrium in the life of the republic; this is the hour of citizen power; this is the hour of democracy in Mexico; it is time to make the proper administration of justice a great tool for combating machine politics, for combating the temples of power and the abandonment of our communities. It is time to shut the door on influence peddling, corruption, and impunity!

This is the hour of the nation. It is time for all of us to make ourselves strong by making Mexico strong. It is time to reaffirm the values that unite us. It is time for change with a clear path that will guarantee peace and tranquillity for our children.

The only continuity I am proposing is that of change, change that preserves what is valuable. We want change with responsibility so that no aspect of national life is neglected; we want democratic change for a better economy, for better social development. And today the conditions are right for doing it. Society demands it.

Today it is clear that the changes cannot be minor or isolated. The path of change runs in the same direction and with equal intensity and urgency through the field of politics, the field of economics, and the field of social welfare.

I declare with fervor, conviction, and complete confidence: I want to be president of Mexico to lead this new era of change in Mexico!

My friends:

I am committed to providing political leadership that will instill confidence; responsible political leadership that will bring about the changes we need, that will shut out any attempt at destabilization, at provocation, at crisis, at confrontation.

We will make our capacity for change the best argument for winning the confidence of Mexicans, for guaranteeing peace, for strengthening our unity.

We are a great nation because we have remained basically united, but with respect for plurality.

We want a united Mexico, we want a strong Mexico, we want a sovereign Mexico, a Mexico of liberties, a Mexico of peace, because the channels of democracy and justice are broad indeed.

There is room for everyone in the Mexico for which we are fighting so fiercely.

I am a Mexican of humble origins. I am a Mexican who has traveled our country up and down many times, and I never cease to be amazed at the great human wealth and variety of our fatherland; similarly, I never cease to be aware of the deprivation and pain.

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I have a passion for living side by side with my people, for sharing with them for listening to them, for understanding them. I learn something every day from their frank attitudes, their simple attitudes.

I repeat that I come from a background of hard work, not privilege. Like my parents and my grandparents, I am a man of work who puts more faith in actions than in words; but for that very reason, I am a man of my word, and I give you that word now as I pledge to undertake the change I have proposed, change with direction, change with responsibility.

Mexico is clamoring for democracy. The country wants to exercise it fully. Mexico demands, and we will respond.

As a candidate for the presidency of the republic, I am ready too.

Let us make our greatest effort in this election. Let us give it our all. We must not let down our guard. We are aiming for victory. Let us win it with Mexico, and let us win it for Mexico.

Long live the PRI!

Long live Mexico!

Zedillo-Colosio Letter

96CA0073C Mexico City REFORMA in Spanish 3 Oct 95 p 2A

[FBIS Translated Text] Throughout the investigations into the assassination of Luis Donaldo Colosio, there has been speculation that the PRI candidate had differences of opinion with President Carlos Salinas de Gortari. Until now, evidence of these "differences" has been limited to oral testimony that lacked probative value. An investigation by REFORMA/El Norte, however, has revealed one piece of evidence: A letter written by Ernesto Zedillo, then coordinator of the PRI [Institutional Revolutionary Party] campaign and now president of Mexico, to Luis Donaldo Colosio. The letter makes it clear that something was wrong in the Salinas-Colosio relationship. This is the full text of the letter written four days before the candidate's death.

19 March 1994

Mr. Luis Donaldo Colosio Murrieta Personal delivery

Dear Mr. Candidate:

I feel it is imperative that I share some thoughts with you. I am doing so by this means so that I can organize my ideas better and take up less of your time. This is an opportune moment, given that we are about to conclude the first tour of the country, and the campaign situation is still quite complex.

I would like to begin with something strictly personal. In light of what has been happening in the last few months, the conviction that I formed several years ago that you should be the next president of Mexico has become much stronger. Today I congratulate myself more than ever for having made a firm decision very quickly and not tarried with any other possibility. It is perhaps more from that point of view than as part of the campaign staff that I would like to express my thoughts to you, although my experience over the last few months has confirmed my opinions irrevocably.

First, I will repeat what is very well known. The conditions of the campaign have turned out to be substantially different from those that we, perhaps imprudently, predicted in December. I assumed that, discounting the new plurality in Mexico, this campaign would be conducted under more propitious circumstances than in the last several presidential elections. In fact, in view of the political situation, this will be the most difficult presidential contest in decades. The broad freedom we enjoyed in December has simply disappeared since 1 January, and most particularly since 10 January. Because of the greater difficulty, we must assume a highly critical attitude. As far as I am concerned, I must admit that back in December, I thought it advisable to be extremely acquiescent and even indifferent to decisions that were made for reasons I did not understand or was not privy to at the time. Naturally, since 10 January, my view of the task has changed drastically, but this has not made it possible to abandon the conditions that were established in December to deal with a very different situation. There is no point in going over the events of the past. The important thing is to shed light on what we face from now on, and to propose solutions. At the risk of succumbing to exaggeration, it is appropriate to lay out the worst-case scenario, because that is what should guide any campaign strategy.

These are the main characteristics of the situation we face:

1. As expected—and as is his right from every standpoint—the president's priority is to bring his term to a satisfactory conclusion. In that way, he will be able to serve the country better and also gratify his tremendous pride in being a true statesman. On the list of tasks necessary to accomplish that, attending to the succession was the top priority until 10 January. The circumstances—whether genuine or contrived—that he has faced have changed his priorities. Now, maintaining social peace and financial stability are objectives that have taken on much greater importance than concerning himself with, shall we say, an orthodox succession. The foregoing, which is of course understandable, has been accentuated by the growing influence of malevolent

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individuals on the president's outlook. The loneliness of the sixth year; the loss, elimination, or estrangement of trusted aides; and the deliberate and calculated efforts of a few, have combined to create an extremely propitious environment for the president to pay less and less attention to the succession. After all, he probably thinks that his most important job—supporting your candidacy at the appropriate time—has already been done, and that after his initial impetus the rest of the task is basically up to you. We can expect that a very persistent effort is being made to detract from your abilities and your loyalty. On the other hand, it is a fact that despite the events of Chiapas, the president still enjoys tremendous popularity, which he values and will try to protect from the risk of other, unexpected adversities.

2. In spite of what happened on 28 November, Manuel Camacho—before or after 1 January—decided to continue playing a key role in national politics, and has set in motion a very precise plan to fulfill that objective, taking advantage of the president's new priorities and cultivating them at all times. To play that key role, he has envisioned a number of options, ranging from directly replacing the PRI candidate to becoming after 1995 the leader of a major opposition force that will have a decisive influence on the course taken by this country. His options also include running for a party other than the PRI, or gaining the presidency after post-election negotiations. It is clear that, given Camacho's ambitions, any of these options is better than waiting to see whether the next president gives him a cabinet post. From his perspective, he has absolutely nothing to lose, since in the worst case he sees himself as a strong opposition leader with a chance to propel himself into the presidency in the year 2000.

3. In view of the uncertainty and the increased competition, there are obvious deficiencies in the party and the campaign staff. The most salient problems are these: We do not have high quality human resources, there is a lack of coordination, people are not fully aware of the situation we face, and the candidate's strengths are not being used to best advantage. All of this provides a greater temptation to Manuel Camacho and heightens the risk that the president will distance himself.

4. The Party of the Democratic Revolution (PRD), which appears to have at least as much electoral strength as the National Action Party (PAN), is an erratic opposition whose objectives include more than just winning votes. It behaves like a force that is counting on disorder, post-election conflict, and negotiations that will give it something that it will not be able to get through elections. It dreams of a great crisis in which the PRI is exterminated amid great turmoil, or at least it obtains some government posts from the next president in exchange for pacification.

I believe that it is very urgent that we confront each of the four preceding points. Unless you would like more detail, I will make the following general recommendations on each of the four points, in order:

1. As I proposed to you as early as January, we should establish a clear and specific political alliance with the president. You should offer your complete loyalty and support so that he can conclude his term with great dignity; you should not ask for more than his trust in your loyalty and capacity, express to him your conviction that he has already performed the most important task in the succession and that you will now do your part; that the campaign strategy requires a candidate who people know will not be manipulated by President Salinas but who enjoys his trust and admiration, and that is why it is necessary for an explicit agreement on how that perception will be created in public opinion. Every time you are going to point out uncompleted tasks and deficiencies in the government, you will give prior notice, and suggestions about how the message should be phrased will be welcome. I emphasize that my purpose in entering into this pact is independent of my admiration for and gratitude to the president. It is an elementary recommendation—I would say a textbook example of one—for political strategy.

2. We must assume Manuel Camacho's opposition, plain and simple. It is not appropriate for him to continue in active opposition without bearing the risks and difficulties of a declared, formal opposition. Much less should we stand by while a person who for many years has deceived the president and abused his trust continues to score points with him. After coming as close as possible to achieving peace in Chiapas, he should be encouraged to become a candidate for an opposition party without delay. This should be your most attractive option. I am convinced that it will cause the fewest problems before and after 21 August, including the 1994-2000 term. Besides, defeating him in the election will give you a very valuable reserve of legitimacy, which you will need to be able to govern as the next president.

3. The conduct of the campaign should improve substantially. That will serve all purposes. You already stated the principle for doing so on 6 March. You must assume full control. For that purpose, you must do whatever it takes to have a true campaign machine (in the strict sense of the word). It takes "an army, discipline, and strategy." We must begin by acknowledging that we are lacking in all three. Restructuring the party and the campaign staff, selecting candidates (individuals and

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method), and imposing a new work ethic are urgent tasks.

4. The recently achieved agreement should be the basis of an effective effort to neutralize the PRD. We must take advantage of that agreement to wash our hands of past sins and build a credibility that we have been lacking so far. We must proclaim that agreement as the definitive step toward the construction of a modern democratic system in our country and express our willingness to stay with it to the bitter end. If we take effective action, we can greatly reduce the chances that any PRD aggression will be successful.

Obviously, these four points can be developed. Believe me when I say that I am profoundly convinced of what I am saying. There is no personal interest whatsoever in my recommendations. I simply believe it is the best thing for Mexico.

Fraternally,

(Signature)

Ernesto Zedillo

Former Presidents' Credibility Measured

96CA0086A Mexico City REFORMA in Spanish 7 Dec 95 pp 1A, 5A

[FBIS Translated Text] **People Believe Neither....**

Most citizens believe neither Salinas de Gortari nor Luis Echeverria, according to a poll that REFORMA conducted among 500 randomly selected persons in Mexico City.

Carlos Salinas accused Luis Echeverria of heading a group opposed to him that is currently seeking to take power in Mexico. The following day, Echeverria denied the charges, saying that nowadays he "is not coordinating anyone, not even his children and grandchildren."

Which of the two former presidents do you believe more?

Carlos Salinas: three percent Luis Echeverria: 20 percent Neither: 73 percent Not sure: four percent

Do you or do you not believe the following statements in the letter that Salinas sent to the mass media?

Statement	Believe	Not Believe	Not Sure
About the crisis: "I left problems but did not pass on a crisis"	8	89	3
About Colosio: "There is nothing to suggest any disagreement between him and me.... Our interests were closely linked"	5	91	4
About Raul Salinas: "I had no knowledge of his activities"	2	95	3
About appearing in court: "I am prepared to appear and make myself available for any clarifications, even of a judicial nature"	13	82	5

People Say He Is Not To Be Trusted

People described Salinas' letter as a ploy to divert attention and think that he is indeed involved in the murder of Colosio.

Do you or do you not believe that Carlos Salinas was involved in the attempt on Colosio's life?

Answer	Percent
Yes	87
No	9
Not sure	4

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Do you or do you not believe that Echeverria or his group was involved in the attempt on Colosio's life?	
Yes	36
No	39
Not sure	25

What do you think Salinas' intention was in putting forward his version: clarifying matters or diverting attention?	
Clarifying matters	7
Diverting attention	86
Not sure	7

Church Hierarchy Changes, Impact Viewed

96CA0069A Mexico City LA JORNADA in Spanish 18 Nov 95 p 13

[Commentary by Bernardo Barranco V.: "Understanding the Mexican Bishops"]

[FBIS Translated Text] The period of the seemingly monolithic Catholic hierarchy ended with the reforms of Article 130 of the Constitution and the restoration of diplomatic relations with the Holy See. Since 1994 we have seen increasingly diversified stands taken, with the bishops themselves openly at odds with each other at times. This demands that we sharpen our focus and adjust the way we analyze the Mexican Catholic hierarchy. We will now list several points that we think must be incorporated into a description of the ecclesiastical hierarchy of Mexico:

1. Generational changes. The profile of the episcopate is definitely very different today from what it was just five years ago. Close to 90 percent of the bishops have changed. Some have retired; others have changed diocese, and a good many new bishops have been named by the pope. We can find certain constants among the most recent appointments: a) they have been educated in Rome; b) they are orthodox in doctrine and extremely loyal to the papacy; c) they have some pastoral experience; and d) they have been rectors or have some kind of influence among the younger generations of seminarians and priests.

2. A social commitment to the poor. At present, progressive prelates no longer have a monopoly on the option for the poor, as in past decades. Today we find many conservative bishops who are doing social work of various kinds, ranging from public assistance to business activities that benefit lower-income earners. Although the substance of his efforts would have to be examined, Monsignor Raul Vera, the bishop coadjutor of San Cristobal de Las Casas, is a clear-cut example that the option for the poor and the social commitment are widely disseminated pastorally among the members of the hierarchy.

3. The regional and local accent. Local conditions are becoming more important in the bishops' speeches. In other words, we are seeing the emergence of specific issues, regional problems, and different interlocutors in terms of both parishioners and dealings with the local authorities.

4. Description of the economic crisis. The tone of the criticism of the course and foundations of the current regime's economic policy has sharpened. Nonetheless, there have been minor differences and disagreements among top church leaders. In particular, the stands taken by the nuncio, who as always has called for moderation and spoken out against "demonizing" Salinas, contrast with those of other high-level prelates who unabashedly criticize the anthropological foundations and extremely high social costs of President Zedillo's neo-liberal economic policy.

5. The power networks with the Vatican. At the end of every cycle the Vatican dicasteries, congregations, and bureaucracies acquire greater power, presence, and decisionmaking ability. The complex network of contacts, supports, and alliances with the local churches is becoming further diversified and atomized. In the case of Pope John Paul II, there are obvious signs that a new phase marked by a less rigid management style than he has followed heretofore has begun. The more Vatican-oriented and Mexican-oriented currents will find new openings and gaps that will enable them to gain or lose ground. The strength and hitherto dominant role of the nunciature are at stake here.

6. Social ethics and religious culture. There are new items on the episcopal agenda that are not necessarily polarizing. On the contrary, given the modern values of Mexican society, the church feels impelled to confront secularization. Issues related to the Beijing meeting, such as a reconsideration of decriminalizing abortion, sexuality, gender, and family planning policies, are catalysts for new actions by and convergences among the bishops who in disciplined fashion abide by the guidelines that are clearly established in Rome.

There are other tensions as well that suggest a diversity of stands among the bishops. The Posadas case is an example. Many bishops, including the cardinal of

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Guadalajara himself, Sandoval Iniquez, are pressuring the government to clarify and allay suspicions about a political crime rather than an "accident." The issue of Chiapas and specifically the role played by Samuel Ruiz is unquestionably another source of discord among the bishops. Two points of disagreement are apparently at work here. The first has to do with the theological and pastoral option of the San Cristobal diocese, and the second with the sociopolitical leadership that Samuel Ruiz has, in point of fact, taken on in the region and in the country. The following specific point must be made. The episcopate is less critical of the fact that a prelate is becoming a social actor of the first rank, because in the face of highly convulsed and perhaps not very remote situations the Catholic Church would play major roles.

Finally, we can see a transition within the body of the church, which is itself feeling the impact of Mexico's crisis. During this transition, which can be regarded as positive, new generational leaders will emerge and figures who will represent the church will no doubt arise. For the time being, this 59th Assembly reflects a diverse and seemingly atomized hierarchy faced with a complex, critical situation demanding a vision that goes beyond the short term. In a word, although the historic dimension is fundamental in the church, we are on the threshold of having a new episcopate.

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El Salvador

President Announces 'Small' Cabinet Changes

PA2212022695 San Salvador Teleprensa Television in Spanish 1840 GMT 21 Dec 95

[News conference by President Armando Calderon Sol at the Presidential Palace, in San Salvador, with moderator Francisco Imendia and identified reporters; broadcast in progress — live]

[FBIS Translated Text] [Calderon Sol] ... We think this has been a positive year. We had 6 percent economic growth; our foreign exchange reserves have increased; we have produced fiscal stability. Our fiscal deficit is 0.2 percent. We have monetary stability in relation to the dollar. Our currency is strong and truly stable.

We have been successful in our savings, our exports have increased, and our assembly plant production has increased in spite of the problems in this industrial sector.

The country is marching forward with economic recovery and development. I can say with optimism that we have had a positive year in El Salvador.

We will also report on social achievements; we will disclose social indicators and what we have done to help the Salvadoran people and to fight extreme poverty in the country.

In the next few days we will have special programs to report on the progress secured by the government this year and why we view this as positive, why we are optimistic, and why we are sure that next year will be one of greater achievements that will benefit El Salvador.

I also want to tell you that we have made some changes and that we will make some cabinet changes, small changes. We have accepted the resignations of the national defense minister and of the deputy minister of national defense, and we have appointed General Jaime Guzman Morales as defense minister. The new deputy defense minister is Colonel Eduardo Angel Orellana.

Colonel Mauricio Isaac Duque will be chief of the Armed Forces Joint Staff. Colonel Nelson Saldana will be deputy chief of the Armed Forces Joint Staff.

A 1 January bulletin will make known all the internal restructuring taking place throughout the Armed Forces, since changes produce effects, post commanders will be changed, and there will be changes at the various garrisons.

The Armed Forces are becoming increasingly professional. The democratic process is being consolidated. The Armed Forces are an institution that are respected because of their professionalism.

I can tell you that we have accepted the resignation of the president of the National Telecommunications Administration [Antel]. Juan Jose Domenech and Dr. Juan Jose Daboub will head this institution as of 1 January. Dr. Daboub has significant academic merits. We expect he will carry out an efficient effort in Antel and that we can continue the modernization.

We have accepted the resignation of the labor minister and appointed Dr. Eduardo Tomasino to be the new labor minister as of 1 January.

These are the changes that have taken place in the Cabinet and in the autonomous institution.

Do you have any questions?

[Imendia] Sandra Serrano, of Teleprensa.

[Serrano] I hope this question is not misinterpreted. I wonder how you evaluate yourself this year knowing that next year is an electoral year.

[Calderon Sol] If I had to speak of my image or of my position, what I can tell you is that I feel satisfied, that I have worked tirelessly for El Salvador, that this has been a difficult year, one of decision and work, including decisions I did not like, such as reducing the size of the state and disqualifying as unnecessary many jobs. This was not easy. It is easier for politicians not to adopt this kind of decision and to maintain unnecessary positions.

However, it is necessary to be responsible, the Salvadoran people elected me to govern in a responsible fashion, and this is what I am doing. This is why I am concerned not so much with my image as with my responsibilities. I am interested in benefiting the Salvadoran people. I know where I am taking the people and where we are going. We are moving toward economic development. We are after development; we are going to reduce poverty; we are going to conduct and implement social programs; and we are not going to jump on the bandwagon of demagoguery, opportunism, populism, and the language that is easy for any ruler. I believe that it is very easy for a ruler to be a demagogue and populist. Being responsible and acting responsibly is more difficult. I believe this is what I have had to do this year. I would say that I have governed responsibly and facing the Salvadoran people. I have kept to the straight and narrow, and we have worked honestly for the sake of El Salvador.

[Imendia] Jose Luis Magana from [Canal Seis Television's] "The Newscast."

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[Magana] Mr. President, if Decree 471 was declared unconstitutional, will the government continue to reduce the positions as had been predicted?

[Calderon Sol] Look, the positions and the decree were not declared unconstitutional. I believe that the media — I say this and I ask the print, radio, and television media to be more specific every day — will make public the reality of the events, not their interpretations. Many people thought that the decree was unconstitutional when actually the decree was not declared unconstitutional, as you all know. Two of its articles were declared unconstitutional. That is something different. In other words, these situations led to confusion, and I can tell you that this matter is in the hands of the Legislative Assembly, which now has to approve the Salaries Law and the budget. They are also... [pauses] What the court has declared unconstitutional facilitates, I dare say, the implementation of the system to categorize positions, because the resignations are the heart of the matter. Those who refused to resign were not going to be paid an indemnification. Now, whether they resign or not, the indemnification must be paid. In other words, it made it easier to be able to do away with a position faster that has been regarded as unnecessary.

What I can tell you is that we will continue with our policies to modernize and downsize the state. We hope the entire political sector will understand us, because El Salvador needs it. These resources will be put to better use for the sake of the Salvadoran people and the neediest sectors.

[Imendia] Carter Rivas from [Canal Dos Television's] "Teledos" newscast.

[Rivas] Good morning, Mr. President. I would like to know what the objective of these changes you just announced is and what you expect from the new people who have been appointed to these posts.

[Calderon Sol] Look, I think that you are aware that the military career has an entire method to allow promotion. You know that Generals Corado and Mendez have served for 30 years. In this regard, we have a fact that there are institutional moves within the armed forces. These are the decisions I have made.

As for the Labor Ministry, we have asked Dr. Sifontes, who is a person knowledgeable in labor law matters, to, I believe, continue to advise us in these matters. He is a very respected man as a true teacher and expert in these matters. However, the Ministry needs encouragement; it needs more operational ability, I would say, through the free zones and through law enforcement. We are willing to strengthen the Labor Ministry in budgetary matters to ensure it will have major validity. This is why we have sought a person who has more energy in these type of actions expected from the Labor Ministry. Dr. Tomasino is such a person.

[Imendia] Jose Luis Henriquez from PRENSA GRAFICA.

[Henriquez] Good morning, Mr. President. I would like to know if you have received a response from the American delegation that came to investigate the case of the assembly plants. I would also like to know your opinion on a commentary made by (?ATI) that there still are no definite economic policies, because there have been no negotiations with economic blocs since the free trade agreement with Mexico was suspended. There is no definition regarding the economic blocs with which we are going to negotiate.

[Calderon Sol] I do not understand what you are talking about. Could you expand the question? What do you want? What is the question?

[Henriquez] What answer have you received from the U.S. delegation that arrived in the country to analyze the maquila [assembly plant sector] case? The other question...

[Calderon Sol, interrupting] Look, with respect to that [pauses]... Let us take it one question at a time. It is our understanding that the U.S. delegation realized that the report it was preparing to issue would have to be favorable to El Salvador since they were able to ascertain and experience firsthand what Salvadoran society is all about. Having realized this, they instead decided not to issue any report. In other words, have you not understood that the U.S. delegation was already biased and prepared to issue a negative report against El Salvador?

The government of the Republic is asking and insisting the commission announce its conclusions, and we expect it will do so. We have been asking for a report. Our representative in Washington, Ambassador Sol, is requesting the commission to announce a detailed and written report on their conclusions. We are well aware that the report cannot be anything other than positive for our country. It is not through satisfying special interests, manipulation, or by granting financial benefits that they will come to this country and carry out activities such as the ones they did while here.

[Henriquez] With respect to the other...

[Calderon Sol, interrupting] With respect to the other issue...

[Henriquez, interrupting] [Words indistinct] with Mexico, the ATI [expansion unknown] contends that there

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is no concrete economic policy strategy, and that there is no information with respect to which economic bloc the country will be negotiating with.

[Calderon Sol] We are negotiating with every economic bloc. Moreover, we are requesting the United States to grant us parity with NAFTA. We believe that we are in a position of all-out and outright disadvantage. During the summit that took place in San Pedro Sula [Honduras], Central America as a whole decided to send a note to President Bill Clinton. In this note we explained our situation and urged him to follow up on the offer made by Vice President Al Gore and himself toward Central America, in which the United States would grant parity with NAFTA.

We believe that the current situation places us at a disadvantage with Mexico, and we look forward to some understanding from the United States toward the region. We also look forward to some parity with NAFTA.

[Imendia] It is now the opportunity of [name indistinct] from EL DIA.

[Reporter] Mr. President, good afternoon. Even though El Salvador experienced some economic growth during 1995, several economists continue to insist that there is still no clear-cut guidelines with respect to which direction we are headed and....

[Calderon Sol, interrupting] Look, I am unconcerned about what the economists perceive as clear-cut guidelines. They will never be satisfied. What interests me is for investors and the Salvadoran people to have a perception of clear-cut guidelines. Positive criticism is always welcome. If we continue to grow at 6 percent annually, then we are an example for Latin America. This has been acknowledged by the ECLA [Economic Commission for Latin America] and other international organizations. This is economic growth, and it has been an accomplishment of the government and the Salvadoran people. So, to all those detractors and acclaimed economists, those great economic scientists who continuously criticize, I welcome their criticism. I hope they continue to be successful.

We tend to listen to sound reasoning, and if there are reasons that will help us accomplish more growth we will listen to them. This is the democratic process we uphold, and the freedom of expression which we all yearn for. We want constructive contributions from all sectors.

This year, with tremendous satisfaction, I can say that we have been able to consolidate the peace process, freedom is consolidating in El Salvador, the separation of government branches is a reality in the country. We are proudly consolidating peace and democracy.

This economic growth we have been able to attain during our permanent debate is evidence that our democracy is not static. I am really proud of what we are doing and what we have been able to accomplish this year.

[Reporter] [Words indistinct]

[Calderon Sol] I am also pleased about it. I am unable to please the entire private sector in everything they ask for and everything they want. I believe any government would be making a mistake if it was able to do this, so that pleases me. I am an independent person. Ever since I became my party's candidate and later came to office, I have said I was an independent person. I owe the presidency to the Salvadoran people and not to any one sector. I do not owe the presidency to any public, private, or labor sector. To no one! I owe the presidency to El Salvador.

As I said to the mayors this morning, thank God that I have also been a mayor since it has given me the opportunity to have contact with the people at the grassroots in those far-off communities, those downtrodden regions. That gives me the moral authority not to become committed to any one sector, so if the private sector also wants to criticize me then let it be welcome. It serves to strengthen me and does me credit. Any other questions?

[Imendia] Rafael Lopez Serrano from "Information News Break."

[Lopez] Mr. President, what will the equilibrium between the colon and the dollar be for the next year?

[Calderon Sol] Look, we have spoken of monetary stability. We have said this is one of the current government's achievements. We have talked about the stability of the dollar, which will continue to be stable. We are confident that we will sustain this stability. You have observed that our international reserves have grown by more than $140 million. Thus, I can assure you that monetary stability with respect to the dollar is more than secure.

[Imendia] Alfredo Vivas has another question.

[Vivas] I have already asked it.

[Imendia] [Words indistinct]

[Calderon Sol] Go ahead.

[Unidentified female reporter] As usual, you discuss economic matters. I remember that two days ago you and I have talked about the ANEP's [National Association of Private Enterprise] criticism. You have mentioned that both private enterprise and the government should participate in the country's economy.

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[Calderon Sol] Of course.

[Reporter] I would like to hear further comment in this regard. Please tell me, how has the private enterprise failed and what else does it have to do?

[Calderon Sol] Look, I say the economy is everybody's responsibility. The Salvadoran private enterprise also has a large responsibility in this regard. It has to work, invest, produce, become more efficient and more competitive, seek markets, promote exports, and expand its activities. The Guatemalan Government is here to give this assurance and to guarantee legal security. The Guatemalan Government is here to guarantee a state of law. However, the economic agent is the individual, the free man.

[Reporter] [Words indistinct]

[Calderon Sol] It has been doing so and it has been a pillar in El Salvador.

[Imendia] Well, the news conference is over. On behalf of the president, we now invite you to have a cocktail. Thank you very much.

Deputy Minister Reports $1.9 Billion Foreign Debt

PA2112154995 San Salvador EL DIARIO DE HOY in Spanish 19 Dec 95 p 14

[Report by Ismael Beltran-Solano]

[FBIS Translated Text] Maria Teresa de Rendon, deputy foreign minister for foreign cooperation, reported that the government of President Armando Calderon Sol is closing the year 1995 with a $1.948 billion foreign debt.

De Rendon reported this in evaluating the foreign cooperation the country received this year.

From January to November of this year, the country secured economic cooperation for $1062.5 billion, $928.8 million of which were loans and the rest, 133.7 million, were donations.

The countries that most cooperation offered were Spain, with $100 million in loans and $2.2 million in donations; Germany, which lent $51.9 million and donated $11.4 million; and Japan, which lent $95.1 million and donated $32.7 million.

France lent $10 million and donated $900,000. The United States was again the most important donor. It lent $10 million and donated $65.7 million. Canada donated $15 million and Luxembourg donated $1.8 million, for a total of $396.8 million.

There were loans and donations also from international organizations. The IMF lent $58 million; the Central American Bank of Economic Integration, $500,000; the Inter-American Development Bank, $539.3 million; the EU donated $1.2 million; the UN Development Program donated $1.4 million; the International Bank for Reconstruction and Development lent $64 million; the UN Population Activities Fund donated $900,000, and the Food and Agriculture Organization donated $300,000.

Foreign organizations lent a total of $661.8 million and donated a total of $3.9 million.

Loans That Are Almost Donations

De Rendon explained that many of the loans are soft loans. For example, Germany's credits have a 0.75 percent interest rate, a 10-year grace period, and a 40-year term. Japan's loans are also soft loans, with a 2.5 percent interest rate, a grace period of several years, and similar terms.

De Rendon, a former executive of the Salvadoran Foundation for Economic and Social Development, explained that "in general terms, foreign cooperation was very positive this year."

According to de Rendon, El Salvador is proud to be one of the countries that timely pays its foreign debt and the Latin American country with the second smallest debt, reasons for which it is eligible for credit.

The debt is paid either every three months or every six months, depending on the cooperation source. De Rendon said she does not know how much is paid every time.

Guatemala

President Says 'Peace Is Irreversible'

PA2112141195 Guatemala City Televisiete Television in Spanish 1900 GMT 19 Dec 95

[From the "Channel Seven News" newscast]

[FBIS Translated Text] The peace process carried out between President Ramiro De Leon Carpio's government and the Guatemalan National Revolutionary Unity [URNG] is on its final stage, although it will not reach its final conclusion under the current administration whose term ends next January.

De Leon Carpio said: We have made great efforts and peace is irreversible. Regretfully, however, peace will not be achieved under this government. De Leon Carpio's successor will be a conservative: Either Alvaro Arzu or Alfonso Portillo, who are running as candidates in the upcoming elections on 7 January.

Hector Rosada, official negotiator and sociologist, made an optimistic evaluation of the progress of the peace

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process during the nearly two years that he has held talks with the URNG. Rosada said: The balance is positive because the process allowed us to reach various agreements that are the means to solve the country's problems. Rosada has expressed his desire not to continue heading the Peace Commission.

Seven months after President De Leon Carpio took office, his government resumed the peace process with the guerrilla. This process had been suspended as a result of former President Jorge Serrano Elias' failed self-coup d'etat.

Since January 1994, both sides have signed six agreements. The first one was known as the Comprehensive Agreement on Human Rights, which provided for the establishment of an international mission to verify its enforcement in the country. Other agreements referred to the identity and rights of Indian peoples, the resettlement of people who were uprooted by the 35-year-long armed conflict, and the historical clarification of the violation of human rights during this period.

In Rosada's opinion, his administration gave a new driving force to the negotiations. Additionally, the United Nations has been the moderator since the very moment the negotiations were resumed. A historical evaluation of this period of talks will determine that these negotiations were carried out rapidly and that society itself was unable to see the negotiations as the way to solve its problems. Rosada recommended to the upcoming government that it should demand a cease-fire from the URNG to give credibility to this process and to do away with the armed conflict that began in 1970.

According to humanitarian sources, this armed conflict has caused the death of more than 150,000 people, the exile of other 45,000 people into Mexico, the disappearance of a equal number of people, and about one million of locally displaced people in Guatemala.

President Reiterates Remarks on Money Laundering

PA2112205995 Guatemala City PRENSA LIBRE in Spanish 17 Dec 95 p 4

[FBIS Translated Text] Guatemalan President Ramiro De Leon Carpio, referring to Attorney General Ramses Cuestas Gomez' threats of summoning him to present evidence on his remarks about money laundering, said yesterday: "Any normal person knows money is laundered in Guatemala."

Interviewed at 1200 at Marshal Zavala Military Brigade, where he competed in the 14th Military Cross Country 1995 Race, De Leon reiterated his remarks that great amounts of money are laundered in Guatemala. These remarks prompted Cuestas to say he would summon De Leon to present evidence.

Nevertheless, commenting on how difficult it is for any one person to prove these illegal activities, De Leon recalled that, anyway, it is the duty of Cuestas and his institution to investigate everything related to the subject.

De Leon said that, if the Attorney General acts quickly and arrests at least two drug traffickers and sentences them according to the law, this would establish a good precedent so money laundering could stop being a constant practice in Guatemala.

Accord With Honduras Issued on Investigating 'Assaults'

PA2112194895 Guatemala City LA REPUBLICA in Spanish 16 Dec 95 p 5

[FBIS Translated Text] In light of reports on assaults, disappearances, and robberies taking place in Guatemalan territory against Honduran nationals, the Guatemalan authorities have expressed their willingness to receive cooperation from their Honduran counterparts in investigating all those cases and reports that have been filed, as stated in a joint communique issued by Guatemalan Foreign Minister Alejandro Maldonado Aguirre, and Honduran Foreign Minister J. Delmer Urbizo.

"In light of reports on assaults, sometimes with fatal consequences, against Honduran citizens while travelling through Guatemalan territory, the Guatemalan government hereby states its willingness to process all petitions made by the Honduran Foreign Ministry, through our embassy in that country, regarding an in-depth investigation to be initiated on the incidents reported, in keeping with the law," the communique states.

It explains that the foreign relations ministers of Honduras and Guatemala, representing their respective governments, agreed to issue the joint communique during a meeting between both officials in San Pedro Sula, department of Cortes, Honduras.

Regarding the above mentioned they point out that "the Guatemalan authorities, in reciprocity, are willing to receive cooperation from Honduran investigative officials on the cases that have taken place, or anything else that may happen."

The joint communique by the Honduran and Guatemalan Governments condemns violence in all its forms, and especially those criminal acts aimed at innocent people. Fortunately, a great majority of

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transients have been able to cross Guatemalan territory without incidents.

Both officials stated their determination to work in close cooperation in the search for those responsible for those terrible crimes, out of respect to the fraternal relations that exist between both nations.

As has already been reported, five Honduran nationals disappeared while travelling on the highway leading from the border with Mexico to Guatemala City, an incident that prompted an unofficial declaration from a Honduran official accredited with the embassy.

Honduras

Officials Comment on Protest Note Sent to Nicaragua

PA2112182695 Tegucigalpa Voz de Honduras Network in Spanish 1145 GMT 20 Dec 95

[Report by Jose Rolando Sarmiento; from "The Morning Paper" newscast — passages within quotation marks recorded]

[FBIS Translated Text] We have statements at this time by Foreign Minister Delmer Urbizo Panting. Even though certain groups say this is a delayed response, Honduras has filed its forceful protest before the Nicaraguan Government because of the seizure of boats and fishermen in Honduran waters.

Foreign Minister Delmer Urbizo Panting and Deputy Foreign Minister Roberto Arita Quinonez held a news conference to announce our government's official protest to the government of Mrs. Violeta Barrios de Chamorro for the seizure of several Honduran fishing boats, along with their crew. The deputy foreign minister read the content of the protest note.

[Arita Quinonez] "Mr. Minister, I am honored to address Your Excellency in order to protest for the flagrant violation of our national sovereignty by units of the Nicaraguan Army's Naval Forces and for an even more serious situation, the attack and subsequent arrest of fellow countrymen in Honduran territorial waters, the facts of which I am now going to describe:

"On Sunday, 17 December 1995, authorities from the Nicaraguan Naval Forces apprehended Honduran fishing boats on positions with the following coordinates: 15 degrees, 11 minutes, 00 seconds North latitude and 82 degrees, 00 minutes, 00 seconds West longitude as well as on position with coordinates 15 degrees, 11 minutes, 00 seconds North latitude, 81 degrees, 46 minutes, 00 seconds West longitude. The names of the Honduran fishing boats were: Pawanka, with seven crew members on board; Pamela II, with five crew members on board; Mustang, with four crew members on board; Doris Kira, with five crew members on board; and Arnol I with an unknown number of crew members.

"The seizure of the aforementioned fishing boats took place between 1000 and 1130 by Nicaraguan patrol boats using speedy, outboard motors and without establishing any type of communication with the aforementioned fishing boats. It is worth noting that these unfortunate incidents, according to the information provided by the Nicaraguan authorities themselves, took place on the position with coordinates 15 degrees, 5 minutes, meaning north of Parallel 14 degrees, 59 minutes, 8 seconds, which is the maritime border that has been traditionally recognized and respected by both countries on the Atlantic side."

The forceful protest note filed by the Honduran Government asks for the release of the captain of one of the seized vessels so that he can undergo medical treatment in our country because he is wounded. In addition, the note calls for a meeting of the Honduras-Nicaraguan Binational Commission in early January.

[Arita Quinonez] "Finally, the Honduran Government expresses its confidence that incidents of this type will not be repeated and to this effect, it requests the urgent holding of a meeting of the Honduras-Nicaragua Binational Commission in early January."

After Arita Quinonez read the note, Foreign Minister Delmer Urbizo Panting talked about his contacts with Nicaraguan Foreign Minister Ernesto Leal Sanchez to obtain the release of our fishermen, their vessels, and equipment.

[Urbizo Panting] "We will request the immediate repatriation of our fellow countrymen. He spoke with Foreign Minister Ernesto Leal and promised all the assistance on the case. They will determine if they are in condition to be transported by air to Honduras."

He also talked about the release of the other detainees, which should take place as soon as possible.

[Urbizo Panting] "It is impossible to determine the number of detained persons. (Mr. Hyle) called me from Islas de la Bahia today and I asked him to send the information to the foreign ministry so that we could take action accordingly. The problem is that the information is often released through other means and the foreign ministry is not informed so it can take immediate action."

Our Ambassador to Nicaragua, Carlos Orbin Montoya, has been asked to take all the necessary steps for the

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prompt release of the Hondurans apprehended in this regrettable incident, for which the Honduran Government has filed an official protest.

Nicaragua

Assembly Approves Property Ownership Law

PA1612015095 Managua EL SEMANARIO in Spanish 8-15 December 95 pp 16-18

["Text" of Property Law No. 209 approved by the Nicaraguan National Assembly issued in Managua on 27 November]

[FBIS Translated Text] LAW NO. 209

THE PRESIDENT OF THE REPUBLIC OF NICARAGUA

Informs the Nicaraguan people that:

THE NATIONAL ASSEMBLY OF THE REPUBLIC OF NICARAGUA

WHEREAS,

I

The right of property is fundamental for the direct functioning of every organized society.

II

The stability and development of any society depends on all sectors respecting and complying with the law.

III

The property fulfills a social purpose, contributing to the reproduction of wealth in the country.

IV

The definitive solution to the ongoing property problem must be based on: Awarding property titles to the legitimate beneficiaries of the agrarian and urban reform; the revision and establishment of penalties for abuses commited against private and state-owned properties and the return of properties to their original owners or a just compensation for them.

The power of authority;

Dictates the following:

PROPERTY STABILITY LAW

CHAPTER I: STABILITY FOR THE BENEFICIARIES OF THE AGRARIAN REFORM AND URBAN REFORM

Article 1. The territorial organization resolutions and the adverse resolutions issued by the Territorial Organization Office (OOT) will have the basis of a public document, with the same legal value established by the Civil Procedure Code.

Article 2. In the case of urban lots transferred under the provisions of Law 86, as long as the the Urban Property Office or the corresponding office do not grant property titles to the beneficiaries who were selected in Territorial Organization resolutions, these will serve as provisional titles. The total area of these lots will be determined by the specifications in the original blueprint.

Article 3. The agrarian reform titles issued pursuant to Decree 782 of the Agrarian Reform Law and its Amended Law No. 14 by competent authorities in favor of agrarian reform, beneficiaries who make a living off the land, be them individuals or corporations, in accordance with Law 84 and properly registered at the Nicaraguan Institute of Agrarian Reform, are public documents accrediting the legitimacy of the acquisition of property.

Article 4. The land titles awarded and ratified through April 1994 by the director of the Nicaraguan Agrarian Reform Institute [INRA] to agrarian reform beneficiaries, peasants, discharged soldiers, Ministry of Government personnel, demobilized soldiers, and members of the former Nicaraguan Resistance, are authentic documents and will serve as provisional titles as long as they are not given the agrarian reform titles. They may also be challenged legally as a provisional exception. In the cases described in the aforementioned paragraph, those who possessed land through April 1994, duly certified by the INRA, will receive documents no later than 90 days after the interested parties file the request.

Article 5. In line with Article 99 of the Constitution, state banks and all other financial institutions of the state must view the financing of small and medium production units, which will function with their own policies and regulations, as a priority in order to bring them up to current production levels and promote the country's development.

Article 6. Property beneficiaries who, in line with Decrees 35- 91, 36-91, and 48-92, obtained Revision Confirmations [Solvencia de Revision], and those who obtained Agrarian Reform titles in line with Decree 782, the Agrarian Reform Law and its reforms, or Law 14, and who are the object of suits or were sued by previous owners prior to the date this law goes into effect, can present the Revision Confirmation or the Agrarian Reform title as peremptory reason for an exception at any stage of the trial, even when the trial is taking place if, at that moment, the documents are presented as a new and undisputed issue. On seeing these documents, the judge or court will cancel the suit unless there are claims that the documents are void or false. This resolution will

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permit appeals only if they are filed prior to the trial and only one appeal will be admitted. Cases in which an Appeals Court passes a sentence will be considered judged cases, but the claimant's right to request an indemnization from the state, when this is applicable, will be respected.

CHAPTER II: EXPEDITING STEPS FOR AGRARIAN AND URBAN OWNERSHIP

Article 7. District judges, acting on a petition prepared by an attorney at law, will forward an official request/writ to the Public Registrar of Property in order to have said registrar record those properties that have been assigned in favor of the state in accordance to Laws 85 and 86, ownership of which will be assigned to those beneficiaries that have taken steps to procure a Solvency Review [Solvencia de Revision] with the Office for Territorial Organization [OOT], without prejudice of the corresponding compensation to be remunerated to the private owner. Public donation deeds that have been granted based on Law 86 by the Office of Urban Ownership [Oficina de Titulacion Urbana], will be registered free of charge in the corresponding Office of Real Estate Property Registrar. Excluded from this provision are those properties that would have already been listed in favor of their respective beneficiaries by Laws 85 and 86 prior to the entry into effect of this law.

Article 8. District judges, acting on a request prepared by an attorney at law and without any further steps, will forward an official request/writ to the Public Registrar of Property so that it will register, in favor of the state, those real estates assigned in accordance to the Agrarian Reform Law in order to proceed with their ownership titling and listing in favor of all beneficiaries in accordance to an original registration number that have assigned a corresponding registration entry.

Excluded from this provision are those properties that would have already been listed in favor of those beneficiaries of the Agrarian Reform Law prior to the entry into effect of this law.

Article 9. District judges, based solely on a request by an attorney at law, without any further steps, will forward a request/writ to the Public Registrar of Property so that it can register, in favor of the state, those real estate managed or assigned to the National Public Sector Corporation (CORNAP), subject of a lease with option to purchase to which the present law refers to, with the object of complying with those agreements signed by this organization between 1990 and the date of publication of this law.

Not included in this provision are those real estates that were not affected by the expropriation, confiscation or agrarian reform process. In these cases, the INRA and the property owner will reach to an agreement with respect to the purchase and sale of the real estate, and if not convened in the agreement, proceed to assign to tenants an equivalent amount of land of equal quality, in addition to recognizing all improvements and investments carried out by mutual agreement, as a prior condition to the return of the real estate.

The criminal and civilian actions that the beneficiaries of lease contracts with option to buy could take against state officials and notaries public who on behalf of the state would have granted those contracts will be accepted.

The claims of ownership mentioned in this article and the two previous articles shall be sent by the Prosecutor General to the district judges within a period of 120 days.

The CORNAP will have a period of no more than 90 days from the date in which the properties were registered in the state's name to issue the purchase-sale deeds established by the law.

Article 10. With regard to lease contracts with option to buy made with the former workers of state-run companies, Army veterans, the Government Ministry, and demobilized rebels of the former Nicaraguan Resistance, the CORNAP will be authorized by the purview of the law to issue, on behalf of the government and its institutions, the corresponding purchase-sale deeds, which will be taxed with mortgages on the pending payment balances.

CHAPTER III: THE RIGHTS OF AFFECTED PERSONS

Article 11. The National Commission for the Review of Confiscations will receive within a period of 90 working days as of the entry into force of this law the claims filed by persons whose real estate and additional land-related assets were expropriated, seized or occupied who could not file any claim at the time without affecting the rights stipulated in the Civil Code in this case. Once the administrative path has been chosen, no judicial action can be pursued. This regulation does not apply to those persons affected by Decree No. 3 of 20 July 1979. Claims related to the occupation of properties shall be filed in keeping with the regulations issued to this effect. Any claim filed by the affected parties shall be received as long as it meets the indispensable requirements stipulated in Article No. 4 of the Decree to Review Confiscations in the Review Commission, as well as the OCI [Confiscations Quantification Office] for this period.

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Article 12. The resolutions issued by the Property Rights Ombudsman's Office and the National Commission to Review Confiscations for compensation purposes, and the Compensations Quantification Office will have the validity of a public document, with the same merit established by the Civil Procedures Code.

Article 13. The properties recovered by the judicial government will first be offered to original bond holders or given as compensation to the affected persons who have received both a favorable resolution from the National Commission for the Revision of Confiscations [CNRC] and have not yet received their compensation in bonds.

Article 14. The government will return the properties still in its possession to the claimants, provided the latter present sufficient evidence, as attested by the CNRC, that proves they are subject to a return. If the return proves impossible, the government will pay compensation for the involved properties. The government will pay compensation with bonds for the affected properties taking into account reference Decree 51-92, the official updated unit value, physical condition, and areas of the properties at the time they were confiscated, deducting any liabilities with retention of value in U.S. dollars. Small-scale owners and original holders will have priority status in the redemption of bonds. People to whom it has been impossible to return their homes, will have priority status in the acquisition of state-financed houses and can pay their installments with bonds.

Article 15. The owners whose properties were confiscated and whose confiscation has been recognized by the government are entitled to demand from the state the corresponding compensation or the return of the property, provided this is possible.

Article 16. Lands owned by the state and devoted to agriculture and cattle raising, once the social land problems have been settled through measurement and award, will be put up for sale through public bid. The affected owners who are original holders of bonds received as compensation will have priority. These properties can be bought with these bonds.

CHAPTER IV: REOPENING OF THE TERRITORIAL ORGANIZATION OFFICE [OOT]

Article 17. For 90 working days after this law becomes effective, the OOT will receive requests for revisions of the acquisitions made under Laws 85 and 86 if these requests were not filed within the set deadlines.

Article 18. Persons or corporations whose solvency appeals have been turned down by the OOT before this law came into being, will have 45 working days to file a reposition recourse with the Finance Ministry.

Article 19. The Finance Ministry will issue its resolutions according to laws 85, 86, and 88, the Agrarian Reform Law of 1981, amended by Law 14, Executive Decree 35-91, and Articles 20 and 28 of this law.

Article 20. The Finance Ministry will study the requests filed by corporations based on the following criteria: The state institutions that confiscate property by virtue of Law 85 and Law 86 and claimed by third parties — provided such persons who are entitled according to a favorable resolution issued by the CNRC — will immediately return ownership of the property or sign a lease contract recognizing the claimant's rights. The involved institutions shall present in their annual budgets the necessary allocations to cover these expenses, which will be included in the General Budget. Non- profit organizations who presently occupy real estate by virtue of Laws 85 and 86, and are found to provide a non-profit social service to the community as reported by the correponding state institutions, will have their revision requests approved. Social clubs, whose buildings have been assigned to persons or corporations are an exception. In such cases, the official records must be canceled and the properties' ownerships must be returned to the members or their legal representatives. If the building has been assigned to a higher educational institution, as of 19 October 1995, the Finance Ministry is hereby empowered to negotiate a sale-purchase or exchange with the old members. The corporations whose requests have been approved for construction on 100 square miles or more, must pay the established tax by the deadlines established by Articles 25 and 26 of this law.

Article 21. Beginning with the enactment of this law, ongoing trials in the country and original claims of restitution of rights on real estate obtained through on Laws 85 and 86 are hereby suspended for 180 days. The deadline established in this article cannot be extended for any reason whatsoever.

Chapter V: TAXES ON PROPERTY ACQUIRED THROUGH LAW 85

Article 22. The tax established in Decree 36-91 will be instituted based on the updated cadastral unit values of the real estate properties, applied on the property's construction areas upon the moment the beneficiary took possession of them.

Article 23. Housing acquisitions, based on Law 86, of up to 100 square meters of construction are exempted from the tax established in Decree 36-91.

Article 24. By the workings of this law, a first degree [primer grado] mortgage is instituted on those properties acquired based on Law 85 with construction areas of

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over 100 square meters. The creation of this tax will serve to ensure that the payment and implementation of the tax established in Decree 36-91 is complied with.

Article 25. The owners of construction areas of over 200 square meters acquired based on Law 85 must pay the tax imposed by Decree 36-91 in the next 24 months after the law enters into effect. The mortgage holder may cancel the loan based on the terms established in Law 180. Once the time has elapsed and no tax has not has paid, the state shall proceed to foreclose the mortgage by means of a trial.

Article 26. The owners of homes with a construction area of over 100 square meters and up to 200 square meters, acquired based on Law 85, must pay the tax established in Decree 36-91. They may pay this tax according to the terms established in Law 180 or sign a payment agreement in the next 24 months after the law enters into force as described below.

A) Houses with a construction area of over 100 square meters and up to 150 square meters will pay an annual interest rate of 4.5 percent on the pending balance in installments over a period no greater than 15 years.

B) Houses with construction areas of over 150 square meters and up to 200 square meters will pay an annual interest rate of 4.5 percent interest rate on the pending balance in installments over a period no greater than 10 years.

If within the 24-month term established in this article the tax has not been paid or no payment agreement has been reached with the state, the mortgage will be foreclosed by means of trial.

Article 27. Once the above-mentioned tax has been paid, the respective tax clearance will be issued to be used at the Public Registry to cancel the mortgage tax on the trial held on the property.

CHAPTER VI: THE REDRESSING OF ABUSES AND RESTITUTION OF PROPERTIES

Article 28. The transfers conducted based on Laws 85 and 86, which were rejected by a ruling by the Office for Territorial Organization [OOT] that remains in effect following a Finance Ministry resolution upholding the OTT rejection, are to be sued by the state or interested party that may have obtained a favorable ruling from the CNRC, nullifying the property deed and inscription in the Public Registry in a summary trial according to Article 1647 of the Civil Procedure Code for any of the reasons listed below:

A) Failure on the part of the beneficiary to prove the actual occupation of the property as of 25 February 1990, according to the criteria established by Law 85;

B) Evidence that the beneficiary of his nuclear family owned another property as of 25 February 1990;

C) Not holding Nicaraguan citizenship as of 25 February 1990;

D) Lack of evidence that prove the status of owner on the part of the state.

Article 29. The Attorney General's Office will file appropriate civil and criminal nullifications lawsuits against individuals who receive or had received more than one land lot deed through the process of granting property deeds in urban areas. In those instances and in every instance of abuse, it shall be presumed that the offense of fraud was perpetrated and the presentation of a Public Registry evidence shall be sufficient for a lower court judge to order the cancellation of the Public Registry inscription of the second property deed without precluding the criminal responsibilities that may be in order.

Article 30. The Agrarian Reform Deeds granted within the city of Managua's urban limits, establishing the zone regulation and the use of soils for the area of the Managua Municipality, published in LA GACETA, the official newspaper, in 1982, will not be valid, as they contravene the terms established in Law 14 and its regulations. The State on interested party that has obtained a favorable CNRC ruling, nullifying the property deed and canceling its inscription in the Public Registry in a summary trial based on the terms established in Article 1647 of the Civil Procedure Code, shall file a lawsuit for the cancellation of these property deeds.

When an assignment is made in favor of Agrarian Reform individuals and if the property is located east of the Mayoreo market or north of Motastepe, the INRA shall maintain the validity of the Agrarian Reform deeds. In all the other cases, prior to the cancellation of the deed, it shall proceed to reassign the land in both the quality and quantity that allows it to continue its productive activities.

Article 31. The State or an individual who obtained a favorable resolution from the CNRC and an abating action in a summary trial, shall sue the individuals and legal entities that obtained Agrarian Reform deeds during February, March, and April 1990 and that obtained a negative resolution from the OOT and the Finance Ministry, according to what is stipulated in the Civil Proceedings Code.

The Justice Prosecutor General's Office shall exercise the corresponding penal and civil actions against the individuals who have altered or forged Agrarian Reform

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deeds or Certificates of Assignment or Possession [Constancias de Asignacion o Posesion].

Article 32. By operation of this law, the Agrarian Reform deeds issued under the name of the household head shall also be understood as having been issued under the name of his spouse or companion in a stable relationship.

CHAPTER VII: GENERAL GUIDELINES

Article 33. In order to engage in any administrative or legal action, the claimant must present the favorable CNRC resolution.

Article 34. Public notaries shall have on sight and shall include a Tax Clearance Certificate [Solvencia de Disposicion] as they authorize contracts for transfers or liens on the properties acquired, based upon Laws 85 and 86 or face a penalty of absolute voiding of the action or contract.

The people who register real estate property shall not register these contracts unless this provision is not met.

Article 35. The Agrarian Reform deeds issued in February, March, and April 1990 are subject to the OOT administrative revision process, according to Decrees 35-91 and 48-92.

The cases of owners who received Agrarian Reform deeds on a rural property as a result of a return, exchange, or indemnification shall be submitted to the OOT along with the deed they received or the title deed showing the transaction in order to be granted the corresponding Territorial Organization Tax Clearance Certificate [Solvencia de Ordenamiento Territorial] or to issue the definite public deed, once this office has proved that the returned or exchanged property is of a value equal to the one that was originally appropriated or donated. In case the returned or exchanged property has a higher value, it shall be mortgaged for the amount of the balance that favors the government. The payments and period of this mortgage shall be regulated by this law.

Article 36: The rural properties granted to beneficiaries through Agrarian Reform deeds shall be transferred, rented, or taxed only five years after this law becomes effective, except in the following cases:

A. Inheritance.

B. Contribution by a beneficiary joining a cooperative.

C. A guarantee to a bank to obtain agricultural financing.

D. In an extreme emergency, to pay off debts owed to the national financial system after the INRA director has authorized it.

E. The result of an agreement between the beneficiary and the former owner.

Article 37. The individuals or legal entities that obtain Agrarian Reform deeds on rural properties located on Indian land, communities, or towns shall pay a continual rental rate to that community, according to rules that shall be implemented.

Article 38. In the case of houses, the State shall indemnify with bonds, taking their real replacement value as a reference, the provisions establishing these procedures to determine if such value shall be dictated.

CHAPTER VIII: TEMPORARY GUIDELINES

Article 39. The Construction and Transportation Ministry, in coordination with the Finance Ministry, shall promote alternative urban solution projects that shall allow the relocation and reassignment of plots to those who, through the Revision and Assignment Process of Law 66, have been entitled to the corresponding revision Tax Clearance Certificate and the Benefit of the Deed Granting Process [Beneficio de Titulacion] and whose necessary relocation is determined due to urban reasons.

Article 40. Beneficiaries of unregistered agrarian reform titles issued prior to February 1990 must present such titles at the Public Registry within a year after this law comes into force.

The Public Registry will register such titles gratuitously.

Should a beneficiary fail to do so for an unjustified reason he must go to the Nicaraguan Agrarian Reform Institute to obtain a registration authorization.

Article 41. The following deadlines were established to resolve the administrative review process:

A. The Office for Territorial Organization must complete its review process 90 days after the expiration of the deadline established by this law.

B. The Finance Ministry will have 45 days after the expiration of the deadline established in the preceding point to complete the appeals review process.

Article 42. The legitimate beneficiaries of the agrarian reform whose titles must be canceled, in keeping with Article 30 of this law, must prior to the cancellation, be relocated on fertile land of equal quality and quantity in Managua Department. The rights of subsequent owners will also be honored.

CHAPTER IX: FINAL PROVISIONS

Article 43. To issue the documents [constancia] mentioned in the last paragraph of Article 4 of this law, the INRA must determine whether the interested parties fulfill the following requisites:

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A. That they were discharged from the Army or dismissed from the Government Ministry or demobilized from the former Nicaraguan Resistance.

B. That the property was assigned them by the proper authorities and land possession is being exercised in a peaceful manner.

C. That they be in possession of the land prior to April 1994.

The INRA must reject the requests of the interested parties that fail to comply with these requisites.

Article 44. The penal and civilian actions mentioned toward the end of the second paragraph of Article 9 of this law will not be applicable to cases in which state officials and notaries public signed or authorized leasing contracts with option to purchase based on presidential agreements or decrees.

Article 45. As for the return of social clubs to their owners or legal representatives mentioned in the third paragraph of Article 20 of this law and in cases when improvements were made on the buildings, the Executive Branch is obligated to establish the value of such improvements and the form for their payment.

Article 46. In the case of urban lots transferred under Law 86, the title issued by the Urban Titles Office [Oficina de Titulacion Urbana] or the corresponding office may not exceed 1,000 square varas [approximately one yard] of useful area.

Article 47. The Finance Ministry is authorized to establish a public mechanism to notify holders of agrarian reform titles who were granted reviews or were issued denials.

Article 48. The Executive Branch is empowered to regulate this law within the deadline established by point 10 of Article 150 of the political Constitution without affecting Article 38 of this law.

Article 49. In the case of any contradicts to this law, the provisions contained in Decrees 35-91, 36-91, 51-92, and Laws 14 and 180 will prevail.

Article 50. This law will come into force as soon as published in any media although it will published later in the official newspaper LA GACETA.

Issued in Managua, at the Sessions Room of the National Assembly, on 27 November 1995.

Panama

Export Official on Negotiations With Costa Rica

PA2212002595 Panama City Circuito RPC Television in Spanish 2300 GMT 18 Dec 95

[Report by Alexander Calderon from the "RPC Television News" newscast]

[FBIS Translated Text] Panamanian exporters have warned about possible measures to counter the bogged down negotiations with Costa Rica for Panama's admission into the World Trade Organization.

According to Dario Selles, president of the Panamanian Association of Exporters, Costa Rica has made unacceptable requests to Panama which will delay its admission into the WTO and which could break up the trade relations between the two countries:

[Begin recording] [Selles] That would be a Pyrrhic victory for the Costa Ricans, because they would end up losing much more. I am certain the Panamanian people will take certain measures in view of these concealed threats made by Costa Rica.

[Unidentified reporter] What measures could they be, Dr. Selles?

[Selles] Remember that those who buy, those who trade are those in the private sector. The Panamanian private sector has unanimously rejected the way Costa Rica is negotiating. If the Panamanian private sector decides not to buy from Costa Rica, I can assure you this would be a serious blow on the Costa Ricans themselves. [end recording]

Meanwhile, Agricultural Development Minister Carlos Sousa Lenox has said Costa Rica is asking for a greater opening of the Panamanian markets of dairy and porcine products, something which our country cannot do:

[Begin Sousa recording] There is a limited import of crude milk from Costa Rica through our bilateral agreement, mostly because of brucellosis disease, which exists in Costa Rica. The law requires vaccinations, a point which leads to a situation of insecurity in matters of epidemiological surveillanc[illegible]nd recording]

Final talks with Costa Rica for Panama's admission into the WTO are expected to continue this month.

Canal Transition Committee, Legislators Discuss Bill

PA2112170795 Panama City LA PRENSA in Spanish 17 Dec 95 p 2A

[Report by Vilma E. Figueroa B.]

[FBIS Translated Text] Members of the Transition Committee for the Transfer of the Canal and of the

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Legislative Branch met to discuss the progress on the bill to create a new Panama Canal Authority and the audit that is being carried out on the current condition of the infrastructure and equipment that will allow the canal to continue operating.

During the meeting, the legislators and the members of the Transition Committee agreed that due to its importance and magnitude, the bill is one of the most significant proposals in the history of our country. This is why all efforts are being undertaken to have said document presented during the next session of the Legislative Assembly which is scheduled to begin in March 1996.

According to an official document, participants to the meeting pointed out that the audit will provide accurate information with respect to the current state of all canal equipment to ensure that the waterway will continue being viable, operable, and competitive well into the next century.

Other issues analyzed included those related to the increasing participation of Panamanians in executive positions within the canal, and the studies that have been requested to evaluate the growth strategy in Panama Canal operations as well as future possibilities.

The agenda also included a report related to talks with representatives of the shipping community where Panamanian members of the Panama Canal Board of Directors participated for the first time.

The meeting, that took place two days ago, was between members of the Transition Committee for the Transfer of the Canal, the Legal Affairs Committee, and members of the Canal Affairs and Foreign Relations Committees of the Legislative Assembly.

Also taking part in the meeting, which was chaired by Transition Committee President Emanuel Gonzalez Revilla, were legislators Abel Rodriguez and Oyden Ortega, presidents of the Canal Affairs and the Foreign Relations Committees, respectively, and 11 other legislators representing both Legislative Assembly committees.

Fernando Cardoze, Moises Mizrachi, and Jorge Ritter, Panamanian members of the Panama Canal Board of Directors, and Eloy Alfaro, Eduardo Alba, Richard Durling, Adolfo Ahumada, Eligio Salas, and Ricardo Gonzalez Mena, members of the Legal Affairs Committee also attended the meeting.

Opposition Questions Appointment of Police Director

PA2112210095 Panama City EL PANAMA AMERICA in Spanish 20 Dec 95 p 1A

[Report by Arnulfo Barroso W. and Carlos Cordero]

[FBIS Translated Excerpt] The opposition yesterday questioned the appointment of Jose Luis Sosa, a Cuban-born naturalized Panamanian and former chief of presidential intelligence, as new National Police director, warning of the danger of politicizing this public security service. [passage omitted]

Former National Police Director Gonzalo Menendez Franco said that Sosa's "lack of a legal training and a degree" is a "disadvantage" for the police. He also warned that such a "sensitive position should be held by a Panamanian-born citizen rather than a naturalized citizen."

Legislator Alberto Cigarruista questioned the fact that the police have been placed under a Cuban who is a naturalized Panamanian and he warned about the danger of now having an institution at the service of the PRD [Democratic Revolutionary Party].

Former President Guillermo Endara said it was "logical" that Perez Balladares would appoint individuals who have his confidence to head security institutions but he emphasized the "danger" of changing the "political neutrality" of the police.

In addition to being a "trusted friend of Perez Balladares, Jose Luis Sosa is or was a PRD member and that creates problems," Endara added.

Former Police Director Ebrahim Asvat said that the change might have been made because of the "lack of progress" in solving the public security problem and because there was no visible "improvement".

Correction: President Urges PRD To Combat 'Pessimism'

PA1912200695

The following correction pertains to the item headlined "President Urges PRD Members To Combat 'Pessimism'," published in the 19 December Latin America DAILY REPORT, pages 21-22:

Page 22, column two, last paragraph, second sentence make read: ...new mandate in 1999, so that Omar... (correcting year)

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Correction: President on Security Organizations Changes

PA2012185595

The following correction pertains to the item headlined "President Announces Changes in Security Groups," published in the 20 December Latin America DAILY REPORT, page 19:

Column one, paragraph two, sentence two make read: ...a mutual agreement. Jose Luis Sosa, who is the... (correcting name)

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Argentina

Menem: Patent Law Conforms to GATT Uruguay Round

PY2012144095 Buenos Aires TELAM in Spanish 1318 GMT 20 Dec 95

[FBIS Translated Text] Buenos Aires, 20 Dec (TELAM) — President Carlos Menem today emphasized that the Patent Law approved in Congress conforms to the conclusions of the GATT Uruguay Round.

In remarks to Radio La Red, Menem emphasized that the patents law "perfectly conforms to the prescriptions and conclusions of the GATT Uruguay Round."

The president also noted that the Patent Law "also has some improvements with regard to the interests of foreign companies."

Emphasizing that the Argentine stance conforms to the GATT standards, the president noted: "We are observing the appropriate standards."

Menem emphasized: "The GATT conclusions were confirmed not only by Argentina, but also by the United States and all the (countries) that are participating in the negotiations. These features have been especially expressed in the law that is now in Congress."

Jujuy Governor on Attempts To Organize 'Urban Guerrillas'

PY2012185295 Buenos Aires NOTICIAS ARGENTINAS in Spanish 1535 GMT 20 Dec 95

[FBIS Translated Excerpt] Buenos Aires, 20 Dec (NA) — Jujuy Governor Guillermo Snopek today noted that efforts are being made in his province to organize "urban guerrilla" groups that will be used to hinder security. He said some people are "taking advantage of the structural crisis" in his province.

Hinting that Carlos "Perro" Santillan, the municipal workers trade union leader, is responsible for the incidents throughout his province, the Jujuy governor said: "Thanks to the media, that character is known throughout the country."

Before participating in a meeting of Justicialist [Party — PJ] governors in Buenos Aires, Snopek said he would not tolerate a situation of "insecurity" that some people are attempting to create in Jujuy Province.

Snopek noted: "Efforts are being made in my province to organize urban guerrilla groups." He added that there are people "who are taking advantage of the serious situation" existing in Jujuy. [passage omitted]

Bolivia

MNR, UCS Confirm Support for Coalition in Congress

PY2012001195 Santa Cruz EL MUNDO in Spanish 9 Dec 95 p A24

[FBIS Translated Text] La Paz — The Nationalist Revolutionary Movement [MNR] and the Solidarity Civic Union [UCS] have confirmed their support for the Governability Pact, up until 1997, in order to allow the executive branch to continue implementing its reform program.

The signing ceremony was held at Government House on 8 December. Participating in the ceremony were President Gonzalo Sanchez de Lozada; Coordinating Commission members; Deputy Guillermo Bedregal, Senator Juan Carlos Duran, and Minister of Government Carlos Sanchez Berzain, representing the MNR; Deputy Hugo Baptista, Deputy Gonzalo Barrientos, and Sustainable Development Minister Moises Jarmusz, representing the UCS; and various leaders from both movements.

The President

At the end of the signing ceremony, President Sanchez de Lozada congratulated the MNR and UCS leaders for their decision to continue working for the coalition in a patriotic and friendly manner, always seeking agreements.

"I think it is very important to take adequate advantage of the contributions and creativity of all the forces that make up the ruling coalition," the president said.

Sanchez de Lozada said the government must continue trying to reach the people, announcing the good news about the changes that are being implemented for the benefit of the entire society.

The president said the document was being signed on a very particular date, because it was the day of the Virgin Mary, which might constitute a good omen for the country.

Confirmation and Consolidation of the Congressional Majority

The document marking the Confirmation and Consolidation of the Congressional Majority was read by Sustainable Development Minister Moises Jarmusz, who is also UCS executive secretary. The document says:

The Nationalist Revolutionary Movement (MNR), represented by its negotiators Guillermo Bedregal Gutierrez, Juan Carlos Duran Saucedo, and Carlos Sanchez

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Berzain, and the Solidarity Civic Union (UCS), represented by Coordinating Commission members Hugo Baptista, Gonzalo Barrientos, and Moises Jarmusz, through the present document, which is complemented to include the acts and documents signed by the late UCS leader Max Fernandez Rojas, agree to the following:

1. The MNR and the UCS confirm their support for the Governability Pact in order to continue and conclude the process of changes currently being implemented through the Plan for All and the Solidarity Plan and agree to consolidate their majority in the Chamber of Deputies.

2. This support of the Governability Pact will be in effect until the conclusion of President Sanchez de Lozada's mandate. After that time, both parties will be free to make their political decisions according to their own interests.

3. The UCS will share government responsibilities with its best men.

4. Both movements will work to seek consensus and coordination.

Representatives of both movements sign the document as proof of the agreement in La Paz on 8 December 1995.

Government: Coca Eradication Goals Met

PY2112134695 La Paz Radio Cadena Nacional Network in Spanish 1100 GMT 21 Dec 95

[FBIS Translated Text] The government claims that the [targeted coca crop] eradication has been met and Bolivia has regained international credibility.

An Erbol [Bolivian Radio School] report points out that Bolivia has regained international credibility and is in a position of asking for more economic assistance, after escaping U.S. decertification with the eradication of more than 5,400 hectares of surplus coca crops.

This remark was made by Minister of Government Carlos Sanchez Berzain, who emphasized that 5,520 hectares — 120 hectares more than those targeted for eradication in 1995 — of coca crops had been eradicated by 20 December.

The minister of government said: Our country has met the established targets. This is no one's, but our country's merit. Our country has met its own targets. Our country has complied with its laws and I believe this is a very important time for Bolivia.

Brazil

President Acts To Resolve Political 'Crisis'

PY2212010495 Sao Paulo AGENCIA ESTADO in Portuguese 2219 GMT 21 Dec 95

[Report by Ricardo Amaral and Isabel Braga]

[FBIS Translated Text] Brasilia, 21 Dec (AE) — President Fernando Henrique Cardoso has begun to straighten out the mess that proliferated within the administration and his political support base during the 10 days he was travelling in Asia and Europe. Today at the Brasilia Air Base, where he arrived early this morning, he was briefed by Vice President Marco Maciel on the crisis and other problems. The president then spoke with four Sao Paulo Brazilian Social Democracy Party, PSDB, Ministers (Sergio Motta, Jose Serra, Clovis Carvalho, and Paulo Renato Souza). He complained to them that he is too exposed and that they are not defending his image. This afternoon Cardoso received Chamber of Deputies President Luis Eduardo Magalhaes (PFL-BA) [Liberal Front Party-Bahia] at Alvorada Palace for a conversation of rapprochement.

Vice President Marco Maciel, who organized the pacification meeting between Luis Eduardo Magalhaes and the president, said a new political process has now begun under the command of Cardoso. Marco Maciel said: "As expected, with the return of the president, things will be defined." He added: "The conversation with Deputy Luis Eduardo Magalhaes was very positive." Maciel said the president will continue to hold "other defining conversations," mentioning as examples the conflicts over Sivam [Amazon Region Surveillance System], the banks, and the government congressional support base which has been shaken by the Bahia PFL bloc. The vice president said: "By the time Congress returns to session on 8 January, everything will be back in its place."

President Cardoso warned all those with whom he spoke today that he will not reshuffle the cabinet under pressure and he will not make precipitated decisions just to avoid criticism.

During a ceremony at Planalto Palace today, President Cardoso sent a message to those who are asking for a cabinet reshuffle: "I have been very firm with attacks that demand that I change this or that minister." He added: "Nothing will be changed, unless there is a mistake in the conduction." For President Cardoso "Brazil needs calmness and not useless distress."

In order not to make "hasty decisions," the president believes the political pressures will cool off during the year end holidays and the Congress recess that will last

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until 8 January. During that time he expects to convince senators on the legality of the Sivam contract and to find together with Central Bank President Gustavo Loyola a solution to the problem of the Economico Bank which was placed under trusteeship last 11 August.

Cardoso expects a more assertive attitude by his ministers in face of the problems that turn up in each field so that he can concentrate on the most important ones. "Everything explodes in his hands, and he is being forced to argue with those he should not," said one minister.

During the 10 days he was travelling abroad, Cardoso personally rebutted criticisms by Chamber of Deputies President Luis Eduardo Magalhaes (PFL-BA) and even U.S. Ambassador Melvin Levitsky.

Such complaint has nothing to do with discussions over the appointment of a political coordinator, two ministers were heard to say today in Brasilia. The war atmosphere among the parties that support the administration is delaying such decision. The president and his main advisers understand that the crisis are being over exposed so as to allow the PFL gain a greater share of power.

Further Reportage on Sivam Surveillance System

Nation Not To Renew Raytheon Contract

PY2112151795 Sao Paulo FOLHA DE SAO PAULO in Portuguese 20 Dec 95 Section 1, p 5

[Article by Lucas Figueiredo]

[FBIS Translated Text] The contract between the government and the U.S. company Raytheon, which was selected for implementation of the Sivam [Amazon Region Surveillance System] project, will automatically expire on 25 December.

That is the expiration date of the commercial agreement signed by the Brazilian Government and the enterprise. The agreement will not be renewed because of the charges pressed in connection with the project.

FOLHA learned that the military officers involved in the project believe that the political atmosphere is inappropriate for another renewal of the contract.

The commercial agreement was signed in May 1995. To be valid, however, the Senate had to issue an authorization for the government to contract a foreign loan for paying for the enterprise's services. When the contract expired in November, the Senate had not yet issued the authorization. The contract was then extended until 25 December.

The government strategy to wait for the automatic annulment of the contract is the method used to follow the recommendations by the Senate, without having to publicly assume that position.

Government leaders in Congress last week agreed to demand the annulment of the contract with Raytheon and the opening of a public tender for implementation of Sivam.

In return, the Senate will authorize the government to contract a new foreign loan to finance the project, which is budgeted at $1.4 billion.

Military men who are responsible for the project believe that the decision made by the Senate is not satisfactory for continuation of the project.

In private, military men and senators have admitted that the Senate authorization for the loan is fragile from a legal viewpoint. Authorizations of this type should necessarily mention the lending institution, terms of repayment, interest rates, etc.

From the viewpoint of the military, the problem is that the annulment of the contract with Raytheon will also produce the annulment of the loan agreement with the U.S. Eximbank.

FOLHA learned that the obligation to open a tender is another topic that has irritated the military. The formal tender process will last at least one year.

The military has also criticized the possibility of modifications in the project.

Deputy To Take Case to Court

PY2212120895 Rio de Janeiro O GLOBO in Portuguese 21 Dec 95 p 3

[From the "Zozimo" column]

[FBIS Translated Text] Deputy Fernando Gabeira will not wait for the decision on canceling the Amazon Region Surveillance System [Sivam] project to drag on or for the results of the duel between President Fernando Henrique Cardoso and Senator Antonio Carlos Magalhaes.

The deputy will try to impede the project by resorting to the courts of justice.

During the week between Christmas and New Year's, Gabeira will file a petition before the Attorney General's Office calling for the embargoing of Sivam.

And nothing more.

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'Irregularities' Involving Raytheon Noted

PY2112142195 Rio de Janeiro JORNAL DO BRASIL in Portuguese 20 Dec 95 p 4

[Article by Gustavo Krieger]

[FBIS Translated Text] The documents obtained by the TCU (National Accounting Office) at the Aeronautics Ministry show that ESCA (Automation and Control Systems Engineering) was used to keep parallel accounting records for the Sivam [Amazon Region Surveillance System] project. Between August 1994 and April 1995, the enterprise received 4 million reals [R] from the government, under a contract for "rendering technical services." The enterprise used the money to pay expenditures that the Aeronautics Ministry could not include in its official accounting records.

The bills show that ESCA paid for the stay of military officers at luxurious hotels, that it paid salary supplements to ministry employees, and that it even paid for Raytheon's press department expenses.

Among the bills that the TCU found at the Aeronautics Ministry are hotel payments for Brigadier Marco Antonio de Oliveira, president of the Sivam Coordinating Commission, at Kubitschek Plaza hotel. These payments could not be entered in the ministry's accounting records because the ministry runs a hotel for its officers in Brasilia.

Deputy Fernando Gabeira (PV-RJ) [Green Party-Rio de Janeiro], who analyzed the documents, said that "the irregularities in the relationship between ESCA and the Aeronautics Ministry go beyond the Sivam project." He added that the use of a private enterprise to keep parallel accounting records "justifies the creation of a CPI [Congressional Investigative Committee]."

List — Moreover, the Aeronautics Ministry used ESCA for paying salary supplements to military and civil officials of the ministry. The TCU made a list of 19 military officials who received payments as if they were rendering independent services through ESCA. Such payments were so common that at a meeting at which ESCA was selected for managing Sivam, six of the nine participants were receiving payments from ESCA.

On 31 January 1995, the Aeronautics Ministry gave ESCA R6 million for payments of "services related to Sivam." Among such services was the contracting of GWA Integrated Communications, Inc. Three bills issued by the enterprise, which the TCU could find, show that the GWA was paid to render "advisory and consulting services to Raytheon Company." At that time, Raytheon had not yet signed the Sivam contract.

Promiscuity — The bills reflect the accounting labyrinth assembled by the Aeronautics Ministry. GWA was hired for rendering press advisory services to Raytheon when the first charges of irregularities within Sivam were pressed. Since Raytheon did not yet sign an official contract with the Brazilian Government, the bill was issued in the name of ESCA. The enterprise paid the bill and later collected the payment from the Aeronautics Ministry.

The TCU found some mysterious bills. In March 1993, six months before ESCA was selected to manage Sivam, the enterprise was already receiving Aeronautics Ministry funds. The ministry paid approximately $4,000 per month for "capital market consulting services" rendered by M.S. Cardim Partnership to ESCA.

The accounting promiscuity between the Aeronautics Ministry and ESCA was so big that a promissory bill [nota de empenho de despesa] issued by the ministry's supply department group on 21 June 1994 says that ESCA is the "management unit" of Aeronautics Ministry expenses. This classification is reserved for state organs. In the case of this promissory bill, ESCA appeared as the agents in charge of making per diem payments for an official who travelled to attend Sivam meetings.

Cardoso To 'Fight to the End'

PY2112235395 Sao Paulo AGENCIA ESTADO in Portuguese 2044 GMT 21 Dec 95

[Report by Ricardo Amaral]

[FBIS Translated Text] Brasilia, 21 Dec (AE) — Having returned from his longest trip abroad, President Fernando Henrique Cardoso is willing to fight to the end to get the Senate approve the $1.4 billion loan for the Sivam [Amazon Region Surveillance System] project. He continues to defend the maintenance of the contract with the U.S. Raytheon company, and has resorted to both political and economic arguments. Cardoso is concerned with the military developments of the Sivam problem, however, and he fears a crisis in the Aeronautics Ministry could lead to the cancellation of the loan.

The president told a Liberal Front Party, PFL, congressman that the cancellation of the contract with Raytheon could cause a $200 million loss to the Brazilian administration in compensation to the U.S. company. Environment Minister Gustavo Krause said: "The economic damage would be very high," without mentioning figures. Krause participated the National Defense Council meeting last November during which the Sivam case was discussed.

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The greatest problem is the demoralization of the Aeronautics high command which is totally committed to the project. The president fears Sivam could lead to a great investigation about the businesses carried out by the military ministries, reopening a debate he considers closed since the end of the military dictatorship. Cardoso will tomorrow attend the traditional year-end lunch with the Armed Forces chiefs at the Navy Club in Brasilia.

"We cannot return to the past," Cardoso told the PFL congressman, expressing confidence in the Aeronautics command. Cardoso will struggle for the approval of the loan but he knows his limit is the Senate committee that is examining the issue. He can always tell the brigadiers he struggled for Sivam but that he was defeated.

Cardoso also minimized the importance of the documents obtained by Senator Antonio Carlos Magalhaes (PFL-BA) [Bahia] about relations prior to the contract between Raytheon and ESCA [Automation and Control Systems Engineering], and Lider Taxi Aero companies. The president believes the document was used to cause an impact but it does not morally affect the contract as Senator Magalhaes wants to make believe.

The president was advised to use all arguments in a public statement to bring more objectiveness to the matter. He needs to win the debate on the project, demonstrating not only the need for Sivam but also the lack of "consistent evidence" against the contract. Despite having been absent from the country for 10 days, Cardoso does not believe the Senate committee that is examining the contract will cancel it, contrary to the belief of most government leaders in Congress.

Senators View U.S. Envoy's Remarks

PY2212025595 Sao Paulo AGENCIA ESTADO in Portuguese 2002 GMT 21 Dec 95

[Report by Joao Domingos e Rosa Costa]

[FBIS Translated Excerpt] Brasilia, 21 Dec (AE) — Senator Ramez Tebet (PMDB-RS) [Brazilian Democratic Movement Party-Mato Grosso do Sul], rapporteur of the Senate special committee on the Sivam [Amazon Region Surveillance System], said today that he does not believe there will be diplomatic problems between the United States and Brazil on account of the contract with Raytheon. He said that he does not doubt that the two countries are very interested in maintaining respect for transparent processes. "We must bear in mind that public contracts must be conducted with criterion of morality and legality," he said. "Everything must be done very clearly, without leaving any doubts."

Ramez Tebet said he considers the document that proves that ESCA [Automation and Control Systems Engineering] and Raytheon had a link before the Sivam project had become public as important as the report drawn up by the National Accounting Office, TCU. "What is more, it must be recalled that such a link is mentioned in the TCU report," he stated. Tebet said that he does not intend to make a decision without first making a thorough analysis of all the documents he received in the special committee. If it depends on him, no one else will be summoned to testify. He nonetheless said that he will not oppose the decision of other senators if they decide to call more people to testify. [passage omitted]

Senator Eduardo Suplicy (PT-SP) [Workers Party-Sao Paulo], in turn, said that U.S. Ambassador Melvyn Levitsky should not "be giving his opinion" about matters that pertain exclusively to the Brazilian Senate. The U.S. ambassador had said that if the contract between the Brazilian Government and Raytheon is broken, relations between the United States and Brazil will be harmed. According to Suplicy, "relations were harmed by Raytheon, ESCA, and the Aeronautics Ministry." [passage omitted]

Officials on U.S. Envoy's Comments

PY2212024295 Rio de Janeiro JORNAL DO BRASIL in Portuguese 21 Dec 95 p 3

[Article by Sonia Carneiro]

[FBIS Translated Text] Brasilia — Congress President Senator Jose Sarney (PMDB-AP) [Brazilian Democratic Movement Party-Amapa] yesterday viewed U.S. Ambassador to Brazil Melvyn Levitsky's interview with JORNAL DO BRASIL defending the contract with Raytheon as "interference in the domestic affairs of the country." Senator Antonio Carlos Magalhaes, president of the Senate super committee on the Sivam [Amazon Region Surveillance System] project, repudiated the interview and expressed the belief that the U.S. ambassador's statements were "an improper interference."

The leaders of the PMDB — Michel Temer, the Liberal Front Party, PFL — Inocencio Oliveira, and the Brazilian Social Democracy Party, PSDB — Jose Anibal criticized the U.S. ambassador. They said that President Fernando Henrique Cardoso will examine the Sivam documents and he will not be influenced by diplomatic pressure.

After reasserting his repudiation of Ambassador Levitsky's statements, Senator Antonio Carlos Magalhaes said: "I think that the administration should adopt the attitude of demanding explanations for the ambassador's behavior. I will wait for the Foreign Ministry to take a measure, and if it does not, I will take my own through the Senate Foreign Affairs Committee," he said.

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Fake

Senator Magalhaes, who expected to show President Cardoso the irregularities he discovered in the Sivam project, said that he does not believe that Cardoso will call him to discuss a solution to the Sivam issue: "I do not think he will call me," Magalhaes said.

"The documents are valid and their seriousness has been confirmed. The contract between ESCA [Automation and Control Systems Engineering] and Raytheon was broken only because the government demanded it," said the senator. "Such a step is common when a married couple of politicians separates, only to run in municipal elections," he said jokingly. It is "very convenient" and "fake," he added ironically.

Senator Jose Sarney spoke over the phone with Senator Magalhaes and he criticized Levitsky for making statements about a subject that is being examined by the Senate. Sarney demanded a definite solution from President Cardoso to the Sivam project. "If he includes the Sivam project in the congressional agenda during the special sessions, it will be for putting a full stop to the issue," he said. "If the project is not withdrawn from the congressional agenda, the super committee will either modify or reject it. It can hardly be approved the way it is now," he predicted.

Senator Ramez Tebet (PMDB-MS) [Mato Grosso do Sul], rapporteur of the Sivam project in the Senate super committee, announced that Levitsky's statements will not affect his decision to maintain the Sivam project and to recommend breaking the contract with Raytheon. "I care very little about it. I will do my job without any problem," he said.

Tebet said he will include in his recommendation a new draft resolution approving the 1.4 billion real credit line for the Sivam project without any link to the Eximbank, but forcing the administration to call to a bid to implement the project. Tebet added that he is willing to talk with President Cardoso to recommend a resolution that is accepted by consensus by the executive and legislative branches.

Tebet was surprised at the statements made by President Cardoso in the PRC to the effect that he sees no relevant reason for breaking the contract, even after Senator Magalhaes had announced that he found a document proving a prior link among ESCA, Raytheon, and Lider Taxi Aero companies. "The information contained in the report drawn up by the National Accounting Office, TCU, is very serious and the document Senator Magalhaes has found is more serious yet," Tebet said.

Affected

Another member of the super committee, Senator Jefferson Peres (PSDB-AM) [Amazonas], said that the U.S. ambassador's statements would only serve to further increase the senators' wish to "remake" the Sivam project "from scratch." Peres defended a radical reformulation of the project "affected by suspicions and accusations, as well as unclear facts that need to be clarified."

Peres believes that "the Sivam project is seriously affected and it will hardly be approved as proposed. The project needs a general reformulation," he said. Although the senator believes that the delay in the implementation of the Sivam project will harm the Amazon region, "it will be worse if the project is haunted by doubts," he said.

In the Chamber of Deputies, the U.S. ambassador's statements "reinforce the idea of the need to create a CPI [Congressional Investigative Committee]," said PMDB President Deputy Paes de Andrade. Deputy Jose Genoino (PT-SP) [Workers Party-Sao Paulo] also expressed the belief that "the project needs to be reevaluated, and the U.S. ambassador will not be the one to come and say how it will done," he criticized.

The Brazilian Foreign Ministry did not comment on the statements made by Ambassador Levitsky.

Editorial on Alleged Raytheon-CIA Links

PY2112132195 Sao Paulo FOLHA DE SAO PAULO in Portuguese 16 Dec 95 Section 1 p 2

[Editorial: "Out With Sivam"]

[FBIS Translated Text] It seems that amidst the government intrigues an accord to put an end to the so-called Amazon Region Surveillance System [Sivam] soap opera is being worked on: The agreement reached with the Raytheon company would allegedly be canceled and a new tender bidding held. In addition, the project would remain more or less the way it is now. As a result, the investigations would be obviously suspended.

It is imperative to break with Raytheon. As if all the doubts that hang over the circumstances in which this enterprise obtained the contract were not enough, experts of the Brazilian Society for Scientific Development say that through this contract Raytheon, which everyone knows to have links with the U.S. CIA, would have access to all the data generated by the system. Nevertheless, the contract has been given to Raytheon without a tender bidding exactly under the excuse of having to preserve national security and sovereignty.

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Although the decision to cancel the contract is something positive, there are still doubts about the drafting of the project which, in accordance to the alleged agreement, would remain practically unchanged. Does Brazil indeed need a system to protect the Amazon Region that would cost the country more than $1.4 billion? Aren't the social shortcomings of the region a more serious priority?

Even if it is decided that the monitoring of the Amazon Region is one of the most urgent projects for the country, are we sure that this monitoring process has to be as huge as Sivam? Wouldn't a simple Air Safety and Air Traffic Control Center program, similar to those that operate in the other regions of the country and cost but a few hundred dollars, be enough?

As to the investigations, although it is admitted that the government is not politically interested in conducting a profound investigation, it is important to point out that it is of interest to the country to identify mistakes made by government members and to improve the ethical behavior of politicians and of civilian and military officials.

'Text' of Draft Regulations on Cable TV

PY1512222395 Sao Paulo AGENCIA ESTADO in Portuguese 1825 GMT 28 Nov 95

[FBIS Translated Text] Sao Paulo, 28 Nov (AE) — Herewith the text of the preamble of the draft law included in Communications Ministry Document No. 5:

His Excellency the President of the Republic:

I have the honor of submitting to Your Excellency the attached draft Regulations for Cable Television Services, along with the draft of the decree that approves it.

2. [No number 1 as received] These regulations are the first instrument that will regulate the cable television service, created under Law No. 8977, which Your Excellency approved on 6 January 1995. This way, the objective of the regulations that are hereby proposed is above all to comply with the terms of this law.

3. Seeking to preserve public interests, these regulations set forth that based on the principle of encouraging free competition and restricting economic abuse, the executive branch will establish or standardize:

a) the decisionmaking process for issuing licenses for cable television services;

b) the technical parameters for the quality or performance of exploitation of the service;

c) the requirements for the effective or potential integration of the cable television service and the networks that can carry television services into the National Telecommunications System;

d) the conditions for marketing networks and their segments;

e) the conditions for reception, distribution and/or use of cable television channels;

f) the supervision of services all over the Brazilian territory;

g) the procedures for concession renewal;

h) the settlement and clarification of the doubts and conflicts arising from the interpretation of the law and its regulations; and

i) the guidelines for rendering cable television services and for promoting the development of the national movie industry and the domestic production of films, cartoons, videos, and multimedia.

4. Based on the guidelines of Law No. 8977/95, the attached regulations — which estimate the appropriate number of concessions in the period before the opening of the offers — establish that concessions in a given area for rendering services are not exclusive, and that service suppliers should engage in fair competition. This way, all the concessions in a specific area will be simultaneously granted to all the organizations selected in a single tender or through a set of consecutive tenders whose number will equal the number of concessions to be granted, preserving fair conditions for the exploitation of the service.

5. The diversity of information sources, listed among the guidelines of Law No. 8977/95, are guaranteed because the regulations — by guaranteeing the availability of 30 percent of capacity of the system — will guarantee public access to programming firms without financial links or financial dependence on operating firms, without discrimination, and without the possibility of selection.

6. The decisionmaking process on licenses, as established by the regulations, is consistent with the terms of the Regulations for Granting Concessions or Authorizations for the Exploitation of Commercial Telecommunication Services, which is also being submitted to Your Excellency for consideration.

7. The encouragement of the national movie production, as set forth in Law No. 8977/95, is guaranteed by the creation of an exclusive channel for the dissemination of independently produced domestic audiovisual materials, which operating firms will compulsorily offer.

8. The Communications Ministry will establish technical rules, in addition to the details of proceedings established in these regulations. The Ministry of Culture

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will establish the conditions to be met by the programming firms that will operate on an exclusively national channel, and other details for disseminating the corresponding programs.

9. These are, Mr. President, the considerations that this Ministry wishes to make in connection with the draft Regulations and the draft decree being submitted to Your Excellency.

Respectfully,

Sergio Motta

Minister of State of Communications

Decree by the President of the Republic

Decree No., dated 1995

approving the Cable Television Service Regulations

The President of the Republic, by virtue of the powers bestowed upon him under Paragraph IV of Article 84 of the Constitution, and taking into account the terms of Law No. 8977 dated 6 January 1995, hereby decrees:

Article 1 - The attached Cable Television Service Regulations are hereby approved.

Article 2 - This decree will come into force on the date of its publication.

Brasilia, 1995; 174th year of the Independence and 107th year of the Republic.

Herewith the text of the draft regulations in Communications Ministry Document No. 5:

REGULATIONS FOR CABLE TELEVISION SERVICES

CHAPTER I

Objectives and Definitions

Article 1 - The Cable Television Service will comply with the terms of the existing telecommunication legislation, Law No. 8977 dated 6 January 1995, these Regulations, and the rules established by the Ministry of Communications and by the Ministry of Culture.

Article 2 - The Cable Television Service is the telecommunication service, not open to public communication, which distributes video and/or audio signals to subscribers, through physical means.

1. The signals referred to in this article include video and/or programs similar to those offered by radio broadcasting stations, meteorological, banking, financial, cultural, and price information, along with other data offered to subscribers. This provision does not exclude the possibility of using such information in other types of telecommunication service.

2. The service includes the interaction necessary for selecting programs and other applications, under the conditions defined in the rules established by the Communications Ministry.

3. Interaction involves the exchange of signals, information, or commands between subscribers' terminals and the base used for the distribution or generation of programs or information offered to subscribers.

Article 3 - The Cable Television Service seeks to promote national and universal culture, a variety of sources of information, leisure and entertainment, political pluralism and socioeconomic development.

Article 4 - The Cable Television Service will be ruled by a policy that will develop the potential of integration into the National Telecommunications Network, with proper participation of the executive branch, the private sector, and society, in a regime of cooperation and supplementation, under Law No. 8977/95.

Article 5 - The rules that these regulations assign to the Ministry of Communications and to the Ministry of Culture will be approved only after listening to the Social Communication Council, which will give its opinion not later than 30 (thirty) days after receiving the consultation, under penalty of enforcement of the statute of limitations.

Article 6 - For the purpose of these Regulations, the definitions established by Law No. 8977/95, and the following definitions, will be applicable. The Communication Ministry will issue supplemental rules to explain them.

I - Concurrence is a commitment between the cable television operator and the subscriber, based on a signed contract that gives subscribers access to the service, in exchange for payment established by the operating firm.

II - Basic Service is the set of programs offered to subscribers through the basic channels provided for in Paragraph I of Article 23 of Law No. 8977/95.

III - Basic Rate is the price paid by subscribers to the Cable Television operator for the Basic Service.

IV - Commercial Service is the set of programs of the basic service plus those the operating firm selects from the channels for temporary or permanent use, and from the free programming channels.

V - Commercial Fee is the price paid by subscribers to the cable television operator for the Commercial Service.

VI - Basic Project is the project that describes the concession and a description of the proposed cable television system, indicating the system's capacity, the

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area for rendering the service, the number of homes that can be served, the timetable for implementation of the system and programs, along with other points of public interest that will be defined in the call for tenders addressed to those interested in rendering the service.

VII - Capacity of the Cable Television system is the number of channels that are technically available to the operator, either in its own network or in a network contracted for rendering the service.

CHAPTER II

Jurisdiction

Article 7 - The Communications Ministry will issue the authorization for exploitation of the cable television system.

Article 8 - The Communications Ministry, beside complying with the terms of other articles of these regulations, should define or standardize, in keeping with public interest:

I - the technical standards of quality and performance of the operation and exploitation of the service;

II - the conditions for the effective or possible integration into the National Telecommunication Network of the Cable Television Service and the networks that can carry television signals;

III - the supervision of the service nationwide;

IV - settlement and clarification of doubts and conflicts arising from the interpretation of the law and its regulations;

V - the legal criteria for repressing economic power abuse in the rendering of cable television services;

VI - the development of the Cable Television Service in a free market.

Article 9 - The Communication Ministry and the Culture Ministry will establish the guidelines for the rendering of the Cable Television Service that will encourage and promote the development of the national movie industry, and the production of films, cartoons, videos, and multimedia materials in Brazil.

CHAPTER III

Prior Consultation

Article 10 - If appropriate, the Communications Ministry, either directly or after receiving a request and before starting the licensing process, will announce in the official gazette a previous public consultation about the service. The objective of the announcement will be, among others, to evaluate the size of the respective area in which the service will be rendered, and the number of franchises to be granted in the area in order to properly evaluate the advantages, the timeliness, and the interests of the public.

Article 11 - Through public consultation, the Communications Ministry will invite all interested parties to express their desire to render cable television services and to report on existing or potential conditions under which they will have to compete.

Article 12 - The Communications Ministry will evaluate the response to this public consultation, and once it confirms that there is public interest in such services, decide on the number of franchises, the area to which said services should be rendered, and the value, or basic value of the franchise, for the purposes of Article 29.

Single paragraph — The area to which the service will be rendered and the number of franchises to satisfy public interest while preserving the economic feasibility of the project, will be decided bearing in mind certain considerations, such as:

a) average population of the region,

b) the region's economic capacity,

c) the social and economic impact the project may have in the region,

d) the best way to provide the service to the greatest number of homes; and,

e) the number of public outlets such as universities, schools, libraries, museums, hospitals, and health-care units.

Article 13 — If appropriate or found to be advisable following public consultation, the Communications Ministry may divide a region or town into several areas for servicing purposes, making sure whenever possible that the resulting areas will have similar market potential.

Article 14 - Once the public consultation is launched, current holders of a cable television franchise for the area in question must supply all interested parties, without exception, with all technical information concerning their current grid and any future expansion they may be planning.

Single paragraph - The holder of the franchise may choose to disclose this information at a meeting that it will organize and duly advertise.

Article 15 - Once the public consultation is over the Communications Ministry will call for bids.

Single paragraph - Should the Ministry of Communications decide to grant more than one franchise in an area, it will hold a tender to select a number of companies or

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groups of companies equal to the number of franchises to be granted.

CHAPTER IV

The Tender

Section I

Drafting the Call for Bids

Article 16 — The tender should be advertised in the official gazette, stating the location where interested parties can read or procure the full text of the call for bids, and the date and time for the submission of credentials and proposals.

Single paragraph - The period of time between the publication of the ad in the official gazette and the date set for the submission of proposals may not be less than 30 (thirty) days.

Article 17 - The call for bids must include, among others, the following information and requirements which are essential for the drawing up of proposals for the commercial supply of this service:

I - the number of franchises that wil' e granted;

II - the price, or base price of the franchise;

III - the basic terms of payment for the franchise;

IV - technical specifications;

V - the area in which service will be rendered;

VI - the duration of the franchise;

VIII - [no VII as received] a list of the appropriate regulations;

IX - the terms of commercial exploitation;

X - the deadlines for submitting proposals, the adjudication of the tender, and the signing of the contract;

XI - a list of the documents required to attest technical and financial-economic qualifications, legal status, and payment of taxes;

XII - the requirements and parameters on the basis of which the proposals will be evaluated;

XIII - the deadlines and terms for appealing a ruling;

XIV - the requirements, indicators, formulas, and parameters to be used for the adjudication; and

XV - a summary of the contract that must include the main clauses.

- 1st The amounts paid for the franchise will go to the Telecommunications Inspection Fund — Fistel.

- 2d Any changes in the call for bids must receive the same publicity as the original text, and the deadlines must be extended to their initial length, except when there is absolutely no doubt that the changes have no effect whatsoever on the contents of the proposals.

Section II

Terms for Participation

Article 18 - All companies that fulfill the requirements and terms in the appropriate laws, this set of rules, and related regulations, may bid for cable television franchises.

Article 19 - Companies that fall into any of the following categories may not bid for cable television franchises:

I - Those that, having obtained a cable television franchise, failed to begin operations within the established deadlines, unless their reason for it has been duly accepted by the Communications Ministry; those that fail to pass the executive branch inspection following due administrative procedures; those that have had a franchise taken away from them less than five years ago; and

II - Those with partners or shareholders who hold at least 10 percent of the voting stock in companies listed in the preceding paragraph at the time said companies were called upon to account for the situations mentioned therein.

Section III

Eligibility

Article 20 - Eligibility will be established on the basis of the following documents:

I - a notarized copy of the charter and subsequent amendments, duly registered or filed at the appropriate government agency, clearly stating that the company's main activity is rendering cable television services. Stock companies should also supply a copy of the minutes of the stockholders meeting at which the executive board was elected, and a list of stockholders which should include the number, worth, and type of stock each partner holds;

II - due evidence that at least 51 percent (fifty one percent) of the voting stock belongs to Brazilian citizens by birthright or naturalization granted no less than 10 years ago, or to a company headquartered in Brazil and controlled by Brazilian citizens by birthright or naturalization granted no less than 10 years ago.

III - a statement by company directors that they do not enjoy any congressional or other immunities;

IV - evidence of registration at the General Taxpayers Registry;

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V - evidence of registration at the taxpayers registry of the state or municipality where the headquarters of the company are located;

VI - evidence of timely payment of social security and Severance Pay Fund contributions;

VII - no-debt certificates from the following agencies in the district where the headquarters of the bidding company are located:

a) Federal Revenue Department and the office of the Finance Ministry Attorney;

b) State or Federal District Finance Department; and

c) Municipal Finance Department;

VIII - a statement that the bidding company, in keeping with Articles 7 and 8 of Law No 8977/95:

a) has not failed to begin rendering cable television services within the established deadline, other than for reasons duly accepted by the Communications Ministry;

b) has not had a franchise removed within the past five years;

c) has not failed to pass an executive branch inspection in keeping with the appropriate administrative procedures; and

d) has no partners or shareholders who have held at least 10 percent (10 percent) of the voting stock in companies that fall into the categories provided for in Article 19, Paragraph I, at the time said companies were called to account;

IX - the membership card of the technician in charge issued by the appropriate professional organization in keeping with complementary regulations;

X - a description of the technical team available for the planning and implementation of the grid including the qualification of the team members;

XI - a description of the equipment and materials necessary to render the service;

XII - documents attesting that the company meets the economic and financial qualifications required for the implementation of the service, either through capital of its own, or steps taken to secure the required financing;

XIII - in the case of a company, a certificate that it has not filed for bankruptcy or creditor's composition in its home district; and in the case of an individual, that he has not been subject to foreclosure in his area of residence; and

XIV - a bond

Single paragraph - the bond mentioned in Paragraph XIV of this article will total no more than 1 percent (one percent) of the value or base value of the franchise to be granted, and the bidder is free to choose from the following options:

a) a deposit in cash or treasury bonds;

b) an insurance policy guaranteeing payment; or

c) a bank guarantee;

Article 21 - Bidders that fail to submit any of the documents listed under Article 20, or whose documents fail to comply with the requirements of the call for bids or contain errors or mistakes, will be disqualified;

Article 22 - Once the bidders' eligibility is confirmed and their bids opened, they cannot be disqualified for eligibility reasons, unless such reasons are prompted by subsequent developments or become known after the fact.

Section IV

The Adjudication

Article 23 - The adjudication will be based on an evaluation of the proposals in keeping with the rating parameters outlined in Article 25 of this set of regulations, and set forth in the call for bids with a view to diversifying sources of information and entertainment, and promoting national, regional and local cultural, economic, and social development.

Article 24 - Each bid must include an outline of the proposed system, in keeping with the provisions of Law 8977/95, this set of regulation, the rules that the Communications Ministry or the Culture Ministry may issue, and the specific instructions included in the call for bids for each area to be serviced. This outline must contain at least the following:

I - a report describing the system — giving an idea of its scope, the technical level and quality it is expected to achieve, and the managerial, operational, and maintenance infrastructures;

II - a timetable, broken into quarters, for the implementation of the system, describing the stages for the installation of the infrastructure required to provide the service; including the transport and telecommunications network, the local TV signal distribution grid, and the master station, from the start until the full servicing of the area assigned is attained;

III - information on the minimum programming the subscribers can expect in the initial stage of the service, and a timetable broken into periods of six months for

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subsequent programming stages until the service attains the expected level for the area assigned;

IV - information on the number of homes to be serviced during the initial stage of the service, and in subsequent quarterly stages until the full servicing of the area assigned is attained;

V - information on the minimum time to be allocated for local programs on company-controlled channels;

VI - information on cultural and educational programs that will be aired on company-controlled channels;

VII - information on basic services that may be rendered free of subscription charge to local community organizations within the area to be serviced, like universities, schools, libraries, museums, hospital, and health care units; and

VIII - information on basic subscription costs and the terms under which they will be reviewed.

Article 25 - Certain aspects must be taken into consideration for the adjudication of the tender. These aspects are listed below together with the percentage they represent in the overall evaluation of the proposal:

I - the ownership of voting stock or shares by people or groups who live within the area assigned in the call for bids - 16 percent;

II - the scope of the proposed system - 13 percent;

III - the timetable for the implementation of the system, from the beginning until the full servicing of the assigned area - 19 percent, broken down as follows:

a) homes that may be serviced

1. number of homes that could be serviced from the beginning - 6 percent;

2. number of homes that could be serviced by the end of the first year of operations - 5 percent;

3. number of homes that could be serviced by the end of the second year of operations - 5 percent;

b) the number of days it will take to fully service the area assigned - 4 percent;

IV - the implementation timetable for the programming of company- controlled channels - 19 percent broken down as follows:

a) program availability

1. number of programs available at the beginning of operations - 6 percent

2. number of programs available by the end of the first year of operations - 5 percent

3. number of programs available by the end of the second year of operations - 4 percent;

b) the number of days it will take to make the entire programming of company-controlled channels available to subscribers - 4 percent

V - The basic minimum time that will be allocated for local programs on company-controlled channels compare to the overall broadcasting time - 12 percent;

VI - number of company-controlled channels allocated to educational or cultural programs above the minimum stipulated in Law No 8977/95 - 5 percent;

VII - number of local community establishments that will be offered basic services free of subscription charges - 6 percent;

VIII - basic subscription costs - 10 percent.

1st - In the case of requirements listed in item "b" of Paragraph III, item "b" of Paragraph IV, and Paragraph VIII of this article, the lowest proposals will receive the highest rating, while in all other cases the highest rating will go to the highest offer; proposals other than the best will be rated proportionately in keeping with the provisions of the tender.

2d - The characteristics of certain areas may require the tender to include other terms under which the bids will be evaluated. The percentage allocated to these requirements may not surpass 20 percent of the overall rating. Should these special requirements be necessary, the percentages listed under this article will be reduced proportionately to allow for the new requirements.

Article 26 - The tender will provide a detailed description of the procedure to be followed for the evaluation of the proposals, including, at least, the requirements listed under article 25.

Article 27 - Eligibility will be established based on the rating of the bidding entity in compliance with the requirements provided for in this set of regulations and the tender. The bidding entities will be considered eligible whenever they score at least:

I - 50 percent in areas with a population of less than 300,000 (three hundred thousand);

II - 60 percent in areas with a population of more than 300,000 (three hundred thousand) and less than 700,000 (seven hundred thousand);

III - 70 percent in areas with a population above 700,000 (seven hundred).

Article 28 - To guarantee a fair and unbiased comparison of the submitted proposals, the Communications

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Ministry will take the following steps before making any decisions:

I - It will publish a graf showing the proposals of the various bidders in response to the requirements of the tender, and will be open to public comment for 30 (thirty) days;

II — In response to requests from bidders, the Communications Ministry may hold hearings to clear up doubts and discuss issues related to the proposals that have been submitted; and

III - Should a decision be made to hold a hearing, it must take place 15 (fifteen) days before the end of the deadline set for submission of public comment, as provided for in Paragraph I of this article.

Article 29 - Selection among eligible bidders will be based on the following criteria:

I - In areas with a population of less than 300,000 (three hundred thousand) it will be the highest score obtained during the eligibility phase and the tender will set the price of the franchise;

II - In areas with a population of 300,000 (three hundred thousand) or more but less than 700,000 (seven hundred thousand) it will be the highest figure resulting from multiplying the overall score obtained at the eligibility phase by the score obtained for the payment offered for the franchise in keeping with Section 1 of this article; and

III - in areas with a population of 700,000 (three hundred thousand) or more, the franchise will go to the highest bidder;

1st. In the case described in Paragraph II, the highest and lowest bids for the franchise will get, respectively, the highest and lowest score among the eligible bidders, while the other bidders will be rated proportionately in keeping with the provisions of the tender.

2d. The proposed payment for the franchise should comply with the tender's basic terms regarding grace periods, payment timetables, financial adjustment mechanisms, fines, penalty charges, and other aspects;

3d. To compare the offers for payment of the franchise, the Current Value [Valor Presente] will be applied to payments in installments. This value will be based on the activity rate [taxa de atividade] established in the tender;

4th. Any bid for franchises described in Paragraphs II and III of this article that offers payment below the basic minimum stipulated in the tender will be disqualified.

Article 30 - In the event of a tie of two or more bidders, selection will be made through a public lottery to which all bidders will be invited.

Article 31 - In addition to the specifications set forth in this set of regulations, the tenders will abide, when appropriate, by Laws No. 8666/93, No. 8987/95, and No. 9074/95.

CHAPTER V

Franchise Granting

Article 32 - The right to exploit cable television will be granted through a 15-year franchise renewable for equal and successive periods of time.

Article 33 - The document formalizing the granting of a franchise must state at least the purpose of the document, the time span of the franchise, the area to be serviced, and the terms of payment for the franchise.

Article 34 - The Communications Ministry will publish a summary of the above document in the official gazette within 30 (thirty) days after it has been signed, and once the appropriate regulations are complied with.

Article 35 - Once the document granting the franchise has been published, the franchise contract must be signed within 60 (sixty) days after the publication of the document under pain of loss of the franchise, unless the failure to sign was no fault of the grantee.

Article 36 - All considerations that led to the selection of the grantee must be set forth in the franchise contract.

Article 37 - Franchise contracts are ruled by the general provisions of Laws No. 8666/93 and No. 8987/95, especially as far as formulation, amendment, execution, and annulment is concerned.

CHAPTER VI

Competition Terms

Article 38 - The Communications Ministry will establish additional regulations to legally prevent the misuse of economic power and stimulate competitive development of cable television.

Article 39 - Should no interest be displayed in servicing a given area, evidenced by the lack of response to the tender advertisement for said area, the Communications Ministry is empowered to grant the franchise for the exploitation of this service to the local concessioner of telecommunications services.

Single paragraph - In this case a new tender will not be held and an expression of interest from the local telecommunications services concessioner will suffice.

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Article 40 - Consessioners of telecommunications services will be a granted a 15-year franchise to exploit cable television services, renewable for equal periods in keeping with Communications Ministry procedures which include prior public consultation.

CHAPTER VII

Implementation of the Service

Section I

Installation Blueprint

Article 41 - The implementation of a cable television system requires an installation blueprint drafted by a duly certified engineer. This blueprint must comply with the technical specifications of the basic project submitted in the bid, and must also comply with the Communications Ministry complementary regulations.

1st. The blueprint must show that the proposed system fulfills all minimum requirements set forth in the complementary regulations;

2d. This blueprint must clearly outline the area to be serviced, the Telecommunications Transportation Network wherever used, the Local Television Signal Distribution Grid, and specify the network and the grid by segments if necessary;

3d. The Local Television Signal Distribution Grid may not extend beyond the outline of the area to be serviced.

4th. Whenever the local telecommunications concessioner holds the franchise of the cable television service, the blueprint of the Telecommunications Transportation Network need not be submitted to the Communications Ministry, but the concessioner must make sure the cable television system complies with the minimum basic requirements set forth in the complementary regulations.

5th. Multiple networks and grids are not recommendable and the company operating the service should make an effort to use available telecommunications networks or other cable television grids in the same area.

6th. A summary of the installation project must be submitted to the Communications Ministry for the latter's information not later than 180 (one hundred and eighty) days after the publication of the document granting the franchise in the official gazette, using for this purpose the appropriate Communications Ministry form.

7th. The installation project and its amendments should be available to the Communications Ministry at any time.

8th. The portion of the Local Cable Television Distribution Grid on the property of a subscriber is considered to be owned by the subscriber and should comply with the appropriate technical regulations.

Section II

Installation and Licensing

Article 42 - Cable television operators will have 18 (eighteen) months after the publication of the franchising document in the official gazette, to complete the first stage of the system and to begin servicing subscribers.

Single paragraph - The above deadline may be extended once for no more than 12 (twelve) months if the Communications Ministry considers valid the reasons for the delay.

Article 43 - Cable television operators will be guaranteed access to the Telecommunications Transportation Network for linkage with its Local Signal Distribution Grid.

Article 44 - Cable television operators must ask the Communications Ministry to approve the system before the deadline established for commencement of services, in keeping with complementary regulations.

Article 45 - Cable television operators must submit to the Communications Ministry all changes in technical specifications of the installation project as soon as they are made using the form mentioned under Article 41, 1st. item.

Single paragraph - The technical changes mentioned in this article must abide by the technical standards of the service as set forth in the complementary regulations.

Article 46 - The equipment that cable television services use must be duly certified by the Communications Ministry.

Article 47 - Should any harmful interference be generated by the service, the Communications Ministry may, after due assessment, suspend the broadcasting on the channels generating interference, or even shut down the entire service if the operating company fails to resolve the problem, in keeping with complementary regulations.

Article 48 - The Communications Ministry will oversee the progress in the servicing of the entire area assigned to ensure the cable television operation complies with the submitted implementation timetable.

1st. The concessioner must send to the Communications Ministry reports on the installation of the system and the implementation of the programming every six months.

2d. Noncompliance with the grid installation timetable means the concessioner is technically lacking, unless

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said noncompliance is attributable to chance or an act of God, duly confirmed and accepted by the Communications Ministry.

Article 49 - Should a cable television operator be interested in expanding its area of coverage beyond the area assigned in the franchise, it will be able to do so only if a public consultation clearly shows there are no third parties interested in servicing the area in question.

1st. Should third parties manifest an interest in servicing the area in question, the Communications Ministry will call for bids.

2d. The Communications Ministry may review, on a case-by-case basis, requests for service expansion caused by natural splintering of a portion of an assigned area.

CHAPTER VIII

Provision of Service

Section I

Channel Availability

Article 50 - Cable Television operators must make some channels available for the following purposes set forth in Article 23 of Law No. 8977/95:

I - Basic channels that may be used free of charge;

II - Channels assigned for contingency services; and

III - Channels assigned for permanent services.

Single Paragraph - With the exception of the channels mentioned in Paragraphs I, II, and III above, the Cable Television operator may arrange the programming of its channels in keeping with Article 24 of Law No. 8977/95

Section II

Free Basic Channels

Article 51 - Cable television operators must provide unscrambled, simultaneous and unabridged transmissions of local radio and television VHF and UHF stations whose signals are received by the master station with acceptable strength, in keeping with Article 23, Paragraph I, Subparagraph "a."

1st. The Communications Ministry will establish the minimum adequate signal strength for the purposes of compliance with this article.

2d. Local TV stations may not prevent the dissemination via cable television of their signal for other than technical reasons, in keeping with Article 23, Paragraphs 4 and 5, of Law No. 8977/95.

3d. Cable television operators may not transmit programs generated by local television stations that do not have the compulsory status established in this article without the permission of the TV station in question.

Article 52 - While public organizations that want to disseminate programs using Cable Television channels listed under Article 23, Paragraph I, Subparagraphs "b" and "g" of Law No. 8977/95 are guaranteed the free use of the appropriate cable television channels, the signal must be delivered to the cable television master station at their expense and in the manner compatible with the installations of the cable television operator.

Article 53 - The local legislative assembly and the city council will parcel out the available channel time, and establish the terms for its use in compliance with Article 23, Paragraph I, Subparagraph "b" of Law No. 8977/95.

Single Paragraph - Live transmissions of legislative assembly and city council sessions will have transmission priority on the channel mentioned in this article.

Article 54 - In compliance with the provisions of Article 23, Paragraph I, Subparagraph "e" of Law No. 8977/95, universities in the area assigned to a cable television operator, must reach agreement on the distribution of the available channel time, and the terms for making use of it.

Article 55 - The above situation also applies to programs generated by municipal, state, and federal educational and cultural organizations, as provided for in Article 23, Paragraph I Subparagraph "f" of Law No. 8977/95.

Article 56 - The community channel addressed in Article 23, Paragraph I, Subparagraph "g" will provide free access to community members, and will carry programs generated by non-government and nonprofit organizations in the assigned area.

Article 57 - If the channels addressed in Articles 51 and 56 are not used for the purpose stated therein, they will be made available free of charge to nonprofit and non-government organizations in the assigned area, in keeping with Article 23, 2d. item, of Law No. 8977/95.

Article 58 - Under Article 10, Paragraph IV, of Law No. 8977/95, any interested party may ask the Communications Ministry to help clear doubts or settle disputes stemming from situations that could jeopardize the democratic and pluralist approach to the use of the channels addressed in Article 23, Paragraph I, Subparagraphs "b" and "g" of Law 8977/95.

Section III

Channels Allocated for Contingency or Permanent Services

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Article 59 - The channels provided for in Article 23, Paragraphs II and III of Law No. 8977/95, allocated for contingency services (2 channels) or permanent services (30 percent of the system's capacity), are part of the public portion of the system's capacity which may be offered to sources of programs not linked in any way to the cable television operators, or to any other legally established entity in full use of its rights which is not linked to cable television operators.

1st. For the purposes of this set of regulations a source of programs will be considered linked to the cable television operator whenever it maintains with the latter any kind of commercial relationship including franchises, except for straightforward sale or cession of programs.

2d. Cable television operators must publicly offer the channels allocated for contingency or permanent services through a large ad published in at least one high-circulation newspaper of their respective state capital.

3d. The interested parties will be served on a first-come-first- served basis. In the case of simultaneous requests that surpass the capacity offered, the prospective users will be selected by the cable television operator in keeping with Article 23, 2d. item, of Law No. 8977/95, on the basis of considerations such as the freedom of expression, free competition, and the network's level of quality and economic efficiency.

4th. The operators must charge nondiscriminatory, fair and reasonable prices for the use of their channels, in keeping with standard market practices and their operating costs.

5th. The operator will not interfere with the programming of channels allocated for contingency or permanent services. The program producers or the legal entities involved will be responsible for the contents of said programming. The operator is not obliged to supply the infrastructure necessary to produce the programs.

6th. Contracts signed for the use of the channels will be made available to any interested party in keeping with Article 25, 3d. item, of Law No. 8977/95.

7th. To further diversify the sources of public information, the Communications Ministry may further regulate the provisions of this article.

Section IV

Channels the Operator Will be Free to Program

Article 60. The channels which the operator will be free to program in keeping with Article 24 of Law 9877/95, may carry programs generated by the operator, its subsidiaries, or associated companies, or those purchased by the cable television operator from other program producers.

Single paragraph - In keeping with Article 10, Paragraph V of Law No. 8977/95, and to ensure the cable television service's compliance with Paragraph VI of the same article, agreements between cable television operators and program producers must abide by the following regulations:

a) Cable television operators may not impose terms which imply some control of, or financial participation in the companies that produce the programs;

b) Cable television operators may not compel program producers to grant them exclusive rights in order to sign the contract;

c) Cable television operators may not engage in practices, such as discrimination as far as selection and contractual terms go, which unduly restrict the ability of a program producer not linked to the operator to engage in fair competition;.

d) Cable television operators must purchase programs produced abroad only through a company established in Brazil.

Section V

Article 61 - The service cable television operators render to the public must be nondiscriminatory, fair, reasonable, and standard, as far as prices and terms go, ensuring that all those who live in the assigned area have access to the service providing they meet the basic subscription costs and the monthly payments.

Article 62 - The Basic Service comprises the free basic channels listed under Article 23, Paragraph I, Subparagraphs "a" and "g" of Law 8977/95.

Article 63 - With the exception of the basic subscription fee, no other fee paid by subscribers can be regulated.

Single Paragraph - The basic subscription fee may be regulated in keeping with complementary provisions, only if the Communications Ministry deems the cable television market is not competitive enough.

Article 64 - The cable television operator may not resort to contractual or other means to prevent subscribers from having their residences serviced by other companies that provide television services through subscriptions.

Article 65 - The signal transportation and distribution infrastructure of cable television services must give each subscriber access to the channels and programs of their choice in keeping with standards established by the Communications Ministry.

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Article 66 - At the request of the subscriber and at his expense the cable television operator must supply equipment capable of scrambling certain programs.

Article 67 - Cable television operators must have at least one channel allocated exclusively for films and other audiovisual material from independent Brazilian producers.

1st. The commercial terms for the operation of this channel must be agreed upon between producers and operators.

2d. The Culture Ministry will draft the rules and regulations concerning certification and licensing of program producers, and all other aspects having to do with the programming of the channel provided for in this article.

3d. This exclusive channel must broadcast daily no less than 12 (twelve) hours of uninterrupted programming which must cover the span between 1200 and 2400.

Article 68 - The Culture and Communications Ministries will jointly define the guidelines for cable television operators to help them encourage the national film industry to produce full-length, medium length, and short films, cartoons, videotapes, and multimedia features in Brazil.

Article 69 - Brazilian cable television operators and producers will be encouraged to invest in the joint production of independent Brazilian audiovisual features and films.

Article 70 - Anyone who feels harmed by the actions of the cable television operator, the telecommunications concessioner, or by conditions that hamper access to channels or the service as a whole, may submit a claim to the Communications Ministry, which will investigate the matter within 30 (thirty) days, and may call a hearing if deemed necessary.

CHAPTER IX

Use of Networks

Article 71 - When the telecommunications concessioner supplies the Telecommunications Transportation Network to the cable television operator, the following requirements must be complied with:

I - the telecommunications concessioner may not interfere in any way with the contents of the programs carried by its network, nor will it be responsible for said content;

II - the telecommunications concessioner may not discriminate among cable television operators, especially as far as prices and terms are concerned;

III - the telecommunications concessioner may allocate part of its capacity to cable television operators so that they can carry Basic Free Channels jointly;

IV - the telecommunications concessioner may supply ancillary services to cable television operators such as billing, collecting subscription payments, and grid management and maintenance services; and

V - contracts signed between a telecommunications concessioner and a cable television operator will be made available to any interested party.

Single Paragraph - This article will also apply when the telecommunications concessioner supples the Local Cable Television Distribution Grid.

Article 72 - The Communications Ministry must set the policy on prices, rates, and other terms that the telecommunications concessioner should apply.

Article 73 - Whenever the telecommunications concessioner does not supply the Telecommunications Transportation Network to the Cable Television operator, the latter may opt for building a network of its own, or making use of networks available from third parties.

1st. This article also applies to cases where the telecommunications concessioner does not supply the Local Cable Television Distribution Grid.

2d. Under no conditions may the Cable Television operator make use of installations that belong to the telecommunications concessioner without receiving prior permission from the latter in accordance with prevailing practice.

Article 74 - When a cable television operator installs a Telecommunications Transportation Network or parts of such network, the local telecommunications concessioner may sign a contract with the operator to use the network's surplus capacity for public telecommunication services, while other cable television operators may also lease the these facilities for their services.

1st. The marketing approach should be fair, reasonable, nondiscriminatory, and compatible with Ministry of Communications policy on prices and rates.

2d. Contracts signed between cable television operators and telecommunications concessioners, or other cable television operators, for the use of the Telecommunications Transportation Network will be made available to any interested party.

Article 75 - When a cable television operator set up a Local Cable Television Distribution Grid, the local telecommunications concessioner may sign a contract with the operator to use the grid's surplus capacity for

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public telecommunication services, while other Cable Television operators may also lease the facilities for their services.

1st. The marketing policy must be fair, reasonable, nondiscriminatory, and compatible with standard market practice and the costs of the grid.

2d. Contracts involving the use of the Local Cable Television Distribution Grid will be made available to any interested party.

CHAPTER X

Franchise Transfers

Article 76 - Transfers of cable television franchises require the approval of the Communications Ministry and may be requested only after the commencement of services.

1st. A transfer of cable television installation and exploitation rights from one organization to another is called a Direct Transfer.

2d. The transfer of shares or stock to third parties, or a new group of shareholders, who thus take over control of the corporation, is called an Indirect Transfer. When a new group of shareholders gains control through gradual purchase of stock or through the increase of corporate capital it is also considered to be an Indirect Transfer.

Article 77 - Whenever significant blocks of corporate stock change hands, or when corporate capital is increased — changing the ratio among stockholders — without any changes in the control of the corporation the Communications Ministry must be informed in keeping with Article 29 of Law No. 8977/95.

CHAPTER XI

Franchise Renewal

Article 78 - The cable television operator is guaranteed the renewal of its franchise provided:

I - it has fulfilled satisfactorily the terms of the franchise;

II - it has complied with service regulations; and

III - it is willing to fulfill feasible technical and economic requirements of the community it serves, including the upgrading of the system.

1st. Renewal may not be withheld because of infractions of which the cable operator has not been duly notified, nor given the opportunity to defend itself.

2d. The evaluation of compliance with the provisions of this article must include a public consultation. The Communications Ministry will outline, if appropriate, procedures to be followed for evaluation of requests for renewal.

Article 79 - If an operator files a timely request for renewal, in keeping with the appropriate procedures, and fulfills the provisions of Article 78, the franchise will be considered automatically renewed provided the appropriate Communications Ministry agency does not to make any demands, or responds prior to the expiration date of the franchise.

Single Paragraph - Should the Communications Ministry make any demands, the operator will lose his right to automatic renewal provided for in this article.

Article 80 - The Communications Ministry may make demands on the concessioner at any time during the renewal procedure, and establish deadlines for the fulfillment of said demands.

Single Paragraph - Should the franchise expire prior to a decision because of demands levied on the concessioner, the service will be temporarily maintained.

Article 81 - The Communications Ministry is empowered to tie the renewal of the franchise to the concessioner's willingness to comply with new technical standards developed after the franchise was granted.

Article 82 - Should the situations described in Article 78, Paragraphs I, II, and III arise the concessioner will have 30 (thirty) days after receiving formal notice to defend himself and submit evidence disproving the charges that prevent renewal.

Article 83 - Renewal of Cable Television franchises held by telecommunications concessioners will be granted only if a public consultation shows that there are no companies other than telecommunications concessioners interested in servicing the area in question.

Article 84 - Should a company other than the actual public telecommunications concessioner be interested in exploiting the Cable Television Service, the winner of the tender which must be held must use the cable television grid which the telecommunications concessioner has installed, provided its technical standards and financial terms are fair and reasonable.

CHAPTER XII

Infractions and Penalties

Article 85 - The penalties for infringement of Law No. 8977/95 and this set of regulations are:

I - warning;

II - fine; and

III - cancellation.

Article 86 - Fines will be charged for any infringement of the legal provisions of this set of regulations and

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complementary rules, or if the concessioner fails to fulfill Communications Ministry demands within the established deadlines.

Article 87 - Fines will be levied according to the infraction, depending on:

I - seriousness of the infraction;

II - the offender's record; and

III - specific recurrence.

Single Paragraph - Infractions reiterated after due notification and before a ruling is handed down will be considered a specific recurrence.

Article 88 - Before applying any of these penalties, the Communications Ministry will notify the interested party to allow the latter exercise its right of defense within 15 (fifteen) days after receiving the notice.

Article 89 - If the appropriate agency feels a given infraction does not merit a fine, the offender will be warned. This warning will be go on record as an aggravating circumstance for the purposes of any future punishment for noncompliance with the same or other legal mechanisms, or applicable regulations.

Article 90 - Warnings and fines will be meted out bearing in mind the circumstances under which the infraction has been perpetrated, and aggravated by recurrence.

Article 91 - The punishing agency may be asked to review its decision, and an appeal may be made to its parent organization, within 30 (days) after the interested party has been notified through a registered telegram or letter for which the recipient must duly sign, or by publishing the notice in the official gazette.

Article 92 - Franchises may be canceled when operators perpetrate the following infractions:

I - demonstrate technical inability through noncompliance with legally established service standards;

II - demonstrate lack of legal qualifications;

III - demonstrate economic and financial incapacity;

IV - entrust the company's control or management to people not duly qualified under the provisions of Law No. 8977/95 and of this set of regulations;

V - transfer the franchise or the control of the operating company through any means whatsoever without prior consent of the Communications Ministry;

VI - fail to commence regular services within the established maximum deadline of 18 (eighteen) months, which may be extended for an additional period of 12 (twelve) months, from the date of publication of the document granting the franchise;

VII - interrupt the service either totally or partially for more than 30 (thirty) days, without prior approval of the Communications Ministry.

Single Paragraph - The franchise may be canceled only after the court ruling is handed down.

CHAPTER XIII

Temporary Provisions

Article 93 - Organizations which have had their authorizations to exploit cable television services upgraded to franchises, and have not yet commenced operations will be given 30 (thirty) days after the publication of this set of regulations, to submit to the Communications Ministry their timetable for the implementation of the system as provided for in Article 24, Paragraph II of this set of regulations.

Single Paragraph - This timetable must clearly set the date for commencement of operations within the deadline set forth in Article 42, 3d. item, of Law No. 8977/95.

Roundup of Economic Reports Through 19 Dec

PY1912193995

[FBIS Editorial Report] The following is a compilation of reports on economic activities in Brazil monitored through 19 December.

BASIC LEADING INDICATORS

International Reserves — The Central Bank hard currency reserves reached $51.257 billion in November, of which $49.797 billion are readily available to the government. This is the fourth consecutive month in which Central Bank reserves hit a historical record. In October, reserves stood at $49.694 billion. The Central Bank has also reported that the monetary supply expanded by 3 percent in November, reaching 16.743 billion reals. (Sao Paulo FOLHA DE SAO PAULO in Portuguese 16 Dec 95 Section 2, p 3)

Trade Surplus — Official data released by the Foreign Trade Secretariat of the Ministry of Industry, Commerce, and Tourism, shows the trade balance registered a $15 million surplus in November. Brazilian exports reached $4.048 billion, while imports stood at $4.033 billion. In November, the accumulated trade deficit amounted to $3.106 billion. Between January and November, exports amounted to $42.631 billion and imports ammounted to $45.737 billion compared with $39.832 billion and $28.556 billion, respectively, in the

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same period in 1994. Semi-manufactured product exports were 54.74 percent higher in November than in the same month in 1994. (Sao Paulo AGENCIA ESTADO in Portuguese 2239 GMT 18 Dec 95)

Unemployment Growth — The Brazilian Institute of Geography and Statistics on 18 December reported that employment in the industrial sector dropped by 0.7 percent in October compared with September, that it dropped by 6.1 percent with respect to the same month in 1994, and that the accumulated drop between May and October reached 7.3 percent. The institute stated that in October, salaries grew by 0.3 percent, in real terms, with respect to the previous month, and by 5.2 percent with respect to the same month in 1994. (Sao Paulo AGENCIA ESTADO in Portuguese 2301 GMT 18 Dec 95)

FINANCIAL OPERATIONS

Federal Government Debt — The debt owed by the federal government increased because of the financial help the government has provided for bank mergers and incorporations. The debt grew from 103.216 billion reals in October to 109.047 billion reals in November. The Central Bank had to sell securities worth 3.161 billion reals to remove from the market some of the 4.190 billion reals that was issued to improve national bank finances. The government debt stood at 69.5 billion reals in June. Until October, government interest payments totaled 16.1 billion reals. (Sao Paulo FOLHA DE SAO PAULO in Portuguese 16 Dec 95 Section 2, p 1)

Agreement Over Banespa — The federal government and the Sao Paulo government have agreed to return Banespa — the Sao Paulo State Bank — to state government control. The highlights of the agreement are as follows: 1) the federal government will use its international reserves to lend 7 to 7.5 billion reals to the Sao Paulo government, which will use the loan to pay 50 percent of the debt it owes to Banespa; 2) the Sao Paulo government will pay monthly installments to the federal government; the first monthly installment will be 100 million reals; 3) the Sao Paulo government will transfer its rights over the Congonhas, Viracopos and Cumbica airports for 1.4 billion reals. The money will go directly to Banespa; 4) the Sao Paulo government will transfer the Sao Paulo Railroad, Inc. for 3.6 to 3.8 billion reals to Banespa; 5) the Sao Paulo government will pay the retirement allowances of the Banespa employees who joined the bank before 1975. (Sao Paulo FOLHA DE SAO PAULO in Portuguese Section 1, p 12 15 Dec 95)

FISCAL, MONETARY ISSUES

Public Deficit — The Central Bank has changed the figure reflecting the accumulated public deficit in 1995, reducing it by 2.2 billion reals. According to data released in November, the public deficit until September was 4.36 percent of the GNP. A report released on 15 December shows this percentage was reduced to 3.89 percent of the GNP. The report adds that the accumulated public deficit until October 1995 was 4.08 percent of the GNP. No explanation has been given. (Sao Paulo FOLHA DE SAO PAULO in Portuguese 16 Dec 95 Section 2 p 3)

Car Import Tariffs — The government on 15 December reedited Provisional Measure No 1235, which deals with automobile import tariffs. The measure, which was modified to reflect an agreement with the Argentine Government, cut import tariffs on automobiles, trucks, and buses to 35 percent. This tariff applies to local manufacturers of those products. Importers of vehicle brands that are not installed in Brazil will continue to pay 70 percent tariff. (Sao Paulo AGENCIA ESTADO in Portuguese 2251 GMT 15 Dec 95)

PRIVATIZATION

Results of Privatization Program — The following is a list of enterprises that were privatized during the Cardoso administration:

ENTERPRISE	PRICE	MONTH OF SALE
ESCELSA - Espirito Santo Power Plants, Inc.	$385.7 million	Jul 95
COPENE - Northeastern Petrochemical Company	$279.4 million	Aug 95
CPC	$99.6 million	Sep 95
SALGEMA	$139.2 million	Oct 95
CQR	$1.6 million	Oct 95
NITROCARBONO	$29.5 million	Dec 95
CBP	$36.3 million	Dec 95
PRONOR	$62.0 million	Dec 95

(Sao Paulo AGENCIA ESTADO in Portuguese 2050 GMT 18 Dec 95)

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Chile

Frei: Modernization Continues Despite Political Tension

PY2012181595 Santiago EL MERCURIO in Spanish 19 Dec 95 p C7

[Article by Maria Jose Errazuriz L.]

[FBIS Translated Excerpt] Rengo — President Eduardo Frei yesterday rejected criticisms by the opposition stating that notwithstanding the political tension the country has lived through throughout most of the year, the government continued working on its modernization program.

He said that this can be easily verified with the announcement he made last week concerning the new policy the state will implement on the National Railroad Company.

The resident yesterday went to the 6th region to preside over the dedication of a clinic in the locality of Rosario, to attend a solemn mass to celebrate the reconstruction of the Rengo catholic church, and to preside over the opening of an ice cream factory.

At the end of the mass at the new Rengo church, which now has four beautiful bells in its tower, the president said that government officials have been working on modernization despite the political tension generated because of matters of the past (referring to the trial that sentenced retired General Manuel Contreras together with Brigadier Pedro Espinoza for being the instigators of the assassination of former Foreign Minister Orlando Letelier).

"The government has continued promoting all its social policies and all its modernization policies. Modernization is a tool we have so that all the national community may have access to a high degree of justice, equity, and solidarity," he said.

Frei added that these processes are rejected in most countries. "There are many people opposed to change, but we are going to defeat such idleness and we are not going to seek easy applause. We will always look out for our national interest," he said. [passage omitted]

Frei Vows Not To Accept 'Pressure' From Any Sector

PY2112134395 Santiago Television Nacional de Chile Imagen Internacional in Spanish 1000 GMT 21 Dec 95

[FBIS Translated Text] President Eduardo Frei has said that he will not accept vetos by anyone or by any sector. He said this in response to recent remarks by Socialist Party [PS] President Camilo Escalona, who replied saying that loyalty to the government is not unconditional. President Frei has stressed the government's supraparty nature.

[Begin recording] [Frei] For this reason I will not accept any type of pressure from groups or sectors. I am the president of 14 million people, seeking mainly national interest. This is my duty, and for this reason I will also stress two basic principles: One, that we will never accept any veto from any group or sector; second, that in a supraparty government, the president of the Republic designates the secretaries of state. People want more work and less talks, and thus the country understands that the coalition is here to facilitate the government's work and not to create difficulties. This is how the country understands this and this is the obligation and responsibility of the parties of the coalition.

[Unidentified reporter] Will there be changes in the ministerial cabinet, as rumored?

[Frei] No changes whatsoever. The ministers are of the exclusive confidence of the president of the Republic, and this is the only manner in which our presidential system can operate.

Later, during a ceremony held at the coalition's headquarters to celebrate the end of the year, Camilo Escalona replied to the president's remarks.

[Escalona] We understand that the president's constitutional term is absolutely unequivocal, and we also understand that our position of loyalty to the government is also unequivocal, as we have supported it on several occasions of difficult situations during the year. I can say that I personally have an unequivocal loyalty to the government. Nevertheless, I have never had a behavior of submission to power. I think these two things cannot be mistaken, and I will remain within that line of conduct. [end recording]

Escalona concluded by saying that that line of action is of full cooperation for the success of the current government.

Socialist Party President Interviewed

PY2012220495 Santiago EL MERCURIO in Spanish 17 Dec 95 pp D1, D20-D23

[Interview with Socialist Party, PS, President Camilo Escalona by Raquel Correa at the PS headquarters in Santiago; date not given]

[FBIS Translated Excerpt] [Passage omitted] What did the victory over [PS leader] Ricardo Nunez mean to you?

[Escalona] A very important support and source of personal satisfaction. For the past two years, I have

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been here day and night, and it would have been quite frustrating for me if that effort went unrecognized.

[Correa] Senator Nunez is Lagos' candidate and you beat him....

[Escalona] Eh. (he smiles) This is a difficult question. I believe that Lagos tried to pull off something very difficult: He wanted to be close Nunez, and implicitly support him. What he did not realize is that if Nunez lost, everyone would interpret this as a personal defeat for Lagos.

[Correa] Your victory was Lagos' defeat?

[Escalona] Lagos was hurting himself.

[Correa] Do you still view Lagos as the best presidential alternative for the left?

[Escalona] Yes, without any doubt.

[Correa] What other choice do you have in mind as a replacement for Lagos?

[Escalona] Luis Maira.

[Correa] Do you agree with [National Renewal, RN, President Andres] Allamand in that Lagos will dispute the 1999 elections with a candidate from the right in runoff elections?

[Escalona] Allamand is saying that because this is the political scenario that best suits his interests. He believes that if that is the case, he will be able to beat Lagos if there is a schism of the center because a large majority would vote for Allamand. This is why he is promoting the image of a modern and renewed right. It is a very intelligent strategy. But we have to beat Allamand with Lagos as the single CPPD [Coalition of Parties for Democracy] candidate in the first round.

[Correa] Do you think that the PDC [Christian Democratic Party] will support the PS....

[Escalona] By that time we will have had PDC presidents for 10 years. The principle of alternation is valid in democracy, which also foresees the possibility that the majority party is not always at the head of the government.

[Correa] How would you describe current PS-PPD [Party for Democracy] ties?

[Escalona] Distant.

[Correa] Increasingly distant?

[Escalona] Yes, because the PPD is increasingly moving toward the center of the political spectrum, and I do not know what the outcome will be.

[Correa] And the PS is increasingly moving toward the left?

[Escalona] We are where we have always been: In the left.

[Correa] Closer to the Communist Party of Chile [PCCh] than the PPD?

[Escalona] No. The PCCh is not a CPPD member, and we are. The PCCh does not support Lagos' candidacy for 1999 and we are promoting Lagos' candidacy for 1999. The PS position is to establish a progressive left within the framework of democracy, not oustide of it. We have strategic, tactical, and ideological differences with the PCCh.

[Correa] Lagos is a PPD and PS candidate. How do you overcome the differences between such disparate political parties with a single candidate?

[Escalona] This will be the challenge of the next five years. The question is whether the PS, which has repositioned itself to the left of the political spectrum within the current CPPD framework, will be compatible with the PPD, which is looking toward the center of the political spectrum and moving in that direction. The question is whether it will be possible to achieve a forceful leadership, one that will convey a strong support that will allow Lagos to reach the presidency.... We will have that answer by the beginning of 1999.

[Correa] What are Lagos' possibilities outside the CPPD?

[Escalona] None.

[Correa] Is this why he is staying within the CPPD no matter what?

[Escalona] No. During the crisis in November, on that "Black Tuesday," it was made perfectly clear that if they tell us "you either accept or you leave," we will leave. We are not willing to capitulate on an issue such as the human rights question. The 14 November crisis allowed the PS to powerfully vindicate its dignity.

[Correa] Are you also referring to the renewal faction?

[Escalona] I am referring to the entire party. We recovered our mystique, a sense of being. Our capacity to overcome the inferiority complex of being socialists shows the extent of the 14 November crisis.

[Correa] You have said that the CPPD cannot continue as it is.

[Escalona] Quite so. It is splintering; it has no common grounds. The conflicts that might arise during the municipal elections could have terrible consequences,

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possibly presaging a splintering for the legislative elections. If we continue along this path, we may end up by witnessing an unavoidable confrontation within the CPPD in 1999.

[Correa] Does this imply having a PS member on the political team, or do you feel sufficiently represented by the foreign minister?

[Escalona] There is a need for the PS to be represented in the decision-making group. I maintain what I said in this regard one year ago: Everyday political developments are not compatible with the foreign minister's duties.

[Correa] Would you say that democracy in the political field has been consolidated?

[Escalona] It is stable. We cannot, however, confuse stability with consolidation. To consolidate democracy, we need less involvement of the military — both at the official and unofficial levels — and more social justice. There is an imperceptible polarization, but it is increasingly growing. The CPPD must rebuild its unity. This is what we discussed with [PDC President Alejandro] Foxley, along with the need for agreement to draft an agenda for 1996.

[Correa] [PPD President Jorge] Schaulsohn also came to congratulate you....

[Escalona] Yes, but he is less inclined to support this idea.

[Correa] Is your victory a punishment vote for the administration?

[Escalona] It is an alert call. The administration must rethink its action program.

[Correa] Turn to the left, as you have put it?

[Escalona] [United Labor Confederation, CUT, President] Manuel Bustos was right when he said: The people believe the administration is more concerned about businessmen than about common people. This the basic problem. The PS is a leftist party; it has no need to make any turns.... I did not use that term; perhaps [PS legislator] Viera-Gallo coined that phrase to criticize me.

[Correa] Do you believe the PS represents the soul of the CPPD?

[Escalona] No, not at all. That would mean upholding a position that would make the CPPD unfeasible. Would you allow me to say something ghastly? The CPPD's soul lies in the understanding between the PS and the PDC. That is the binding force. If it separates, the CPPD is shattered.

[Correa] Where do you place the PPD?

[Escalona] This is precisely what I have just said so appallingly. Chilean democracy was destroyed in 1973 because the strife between the PS and the PDC did not allow a political opening, and it was recovered in 1988 when the two socialist parties existing at the time agreed with the PDC to lead the campaign against the no- vote.

[Correa] There is also a very important split within the PS....

[Escalona] Except for a few persons, it is less important than what it is perceived. I enjoy extensive support among the Socialist Youth, which is led by a member of the renewal faction. I have worked very closely with [PS political committee members] Gonzalo Martner and Ricardo Solari, who are not members of the New Left, and we were able to achieve what no other member of the PS board has been able to achieve during these years of reunification.

[Correa] Do you believe Deputy Viera-Gallo has ceased being a socialist?

[Escalona] Along the way he stopped pursuing his vocation for change. If you ask me about the Socialist Renewal, I can say that it is willing the find new paths for achieving a more just society. This does not mean, however, that I uphold free market principles as they do.... All this is part of a cultural process that is yet to be completed. [passage omitted]

[Correa] Do you agree with PS Leader Pamela Pereira that there must be a cabinet change after the current crisis [over the constitutional reforms]?

[Escalona] It is a presidential decision, but I believe it would be a new impulse for a new political year. I am not referring to anyone in particular.

[Correa] Do you intend to cogovern?

[Escalona] No. It is the president who governs.

[Correa] What do you think about the theory of doing away with unanimity within the CPPD and allowing the majority to govern?

[Escalona] That is a Greek present Schaulsohn gave to President Frei. It was suggested for the sake of efficiency. It so happens that such a suggestion might leave the administration without the CPPD. The PS cannot accept being excluded from the decision-making process.

[Correa] Will the PS uphold its right to veto?

[Escalona] On important issues, yes. [passage omitted]

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Colombia

Samper Signs Military Law, Issues Call to Kidnappers

PA2112235495 Santa Fe de Bogota Inravision Television Cadena 1 in Spanish 1730 GMT 21 Dec 95

[From the "National Newscast"]

[FBIS Translated Text] President Ernesto Samper Pizano has just signed a military law and has issued a call to the country's kidnappers:

[Begin Samper recording] This morning, we also enthusiastically signed the legislative law through which we dispel any doubts about military jurisdiction. With this new law, we are guaranteeing the due process for members of the public force to be investigated and prosecuted by courts created especially for them.

In this Christmas season in which sentiments of love, peace, and reconciliation overcome us, I am issuing a new call to the rebel groups to leave behind the delirious paths of confrontation and violence. I emphatically make a similar call to all kidnappers to release their hostages. [end recording]

President Appoints New Cabinet Members

PA2212022595 Santa Fe de Bogota Inravision Television Canal A Network in Spanish 0000 GMT 22 Dec 95

[From the "Seven O'Clock Newscast"]

[FBIS Translated Text] President Ernesto Samper appointed his new cabinet on 21 December. It is made up of the following:

[Unidentified reporter] The new communications minister is Juan Manuel Turbay, who was the Presidency secretary general until 21 December; he replaces Armando Benedetti. Former Medellin Mayor Luis Alfredo Ramos Botero is the new foreign trade minister. Cecilia Lopez Montano, who was the environment minister until 21 December, is the new agriculture minister. The post she has just vacated will now be occupied by Cartagena-native Jose Vicente Mogollon, who is a former (Incobes) [expansion unknown] director. In addition, Orlando Obregon, who was president of the United Workers Federation until 21 December, is the new labor minister. Carlos Medellin, who used to be the Presidency's legal adviser, is the new justice minister.

Army Division Begins Operating in Santa Fe de Bogota

PA2112013295 Santa Fe de Bogota Inravision Television Canal A Network in Spanish 1730 GMT 20 Dec 95

[From the "Colombia 12:30" newscast]

[FBIS Translated Text] The Army's 5th Division began operating in Santa Fe de Bogota a few minutes ago. This military division will provide security to several departments. These are the 15,000 soldiers of 18 battalions that form the National Army's 5th Division beginning today. [video shows troops] They will operate in Cundinamarca, northern Tolima, and western Boyaca Departments:

[Begin 5th Division Commander Fernando Tapias, identified by caption, recording] They will attack all the fronts in Cundinamarca. There will be a permanent, unceasing, and tenacious offensive to ensure that Cundinamarca will again be a land of peace.

The troops will have all necessary logistical resources to combat the various FARC [Revolutionary Armed Forces of Colombia] fronts which have been intimidating the civilian population with kidnappings and blackmail in recent months:

[Tapias] We have intelligence units, helicopters, and all kinds of combat specialties, particularly counterguerrilla units to bring peace to the department. [end recording]

Counternarcotics Police Director Reports on Work

PA1912231395 Santa Fe de Bogota Inravision Television Canal A Network in Spanish 1730 GMT 19 Dec 95

[FBIS Translated Text] Several sectors have protested the questioning by Robert Gelbard, U.S. assistant secretary of state for narcotics affairs, of the Colombian antidrug struggle.

Colonel Leonardo Gallego, director of the National Counternarcotics Police, reported on his work today and said the achievements of this year's antidrug struggle are three times better than in the past:

[Begin Gallego recording] Colombia is the only country in the world that has been able to seize, since 1 January, a total of 3,500 tons of chemicals destined for use by drug traffickers and 1.2 million gallons of liquid chemicals.

The general results of 1995 are more positive than the results of 1994. Today, we are surpassing the record of 30,000 hectares of coca and poppies destroyed in Colombia. We have been able to arrest more than 2,600

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Colombian and foreign drug traffickers this year. [end recording]

As the police force sees it, Colombia's achievements, which are positive for mankind, should not have to face conditions set by Washington to receive a certification.

Samper's Ability To Survive Crisis Viewed

96CA0088A Santa Fe de Bogota SEMANA in Spanish 12 Dec 95 pp 50-52

[FBIS Translated Text]*All the predictions made about the burial of the Samper administration have proven wrong. Why?*

Hisnardo Ardila, a prominent figure recalled by few today, gave a wedding party for his daughter while he was mayor of Bogota 10 years ago. During the celebration, eight musicians from the Bogota Philharmonic Orchestra played some classical melodies. The musicians performed free of charge for the mayor, because they were on the payroll of the Philharmonic, which was an agency of the District. This fact was disclosed, resulting in the mayor's downfall and a 10-month jail sentence for Raul Garcia Rodriguez, the orchestra's director, and Hilda Pace de Restrepo, the ensemble's administrative director, both of whom had authorized the three hours of music.

Jose Manuel Arias Carrizosa was a rising politician, with presidential potential. When he was Virgilio Barco's justice minister, they accused him in an incident that occurred while he was ambassador to Cuba in 1980. Since diplomats are entitled to import a vehicle tax-free, and to sell it a year later, Arias sold the import quota to a well-known automobile dealer. As a result of this act (which was quite common up until that time), he had to resign from the ministry.

Rodrigo Turbay Cote, Caqueta's representative in the Chamber, attended a social function honoring Evaristo Porras Ardila, the famous "benefactor" of Amazonas. His presence at that heavily attended celebration was disclosed publicly, and for this reason he was summarily expelled from the Liberal Party at the end of 1993.

All the preceding indicates that, in Colombia, relatively important persons are brought down for relatively trivial reasons. Therefore, ever since the scandal of case 8000 exploded, all Colombians have been speculating on the government's chances for survival. Not because case 8000 is insignificant, but rather quite the contrary: Because it is extremely serious. So serious that the reason that the government was able to take office after the "narco-cassettes" appeared is that no one believed that their contents could be authentic. Such authenticity would imply a tacit alliance between the mafia and Ernesto Samper's campaign.

On the "narco-cassettes," reporter Alberto Giraldo informs Miguel Rodriguez Orejuela that a meeting has just taken place between "Eduardo, the number one, and the person who will be named number one in the Greens." According to Santiago Medina's testimony to the Prosecutor General's Office, these descriptions referred to Eduardo Mestre, Ernesto Samper, and Fernando Botero. The conclusion drawn from this meeting was that the presidency of the republic was in the hands of the Rodriguez Orejuelas, because some agreements had been reached with Ernesto Samper's campaign. In a subsequent call, Giraldo states specifically to Rodriguez: "The fact is that they need 5 billion pesos." And he adds that the campaign does not have the money from Julio Mario Santo Domingo to cover that shortage.

Finally, in a conversation a few days later, this time between Gilberto Rodriguez Orejuela and Giraldo, the Cali Cartel chief notifies the reporter: "We have already sent four"; to which Giraldo replies: "That Samper is certainly giving signs of being a good friend." Gilberto Rodriguez Orejuela, suspicious, questions this and remarks to him: "Let's hope that SOB doesn't have a change of heart."

Apart from Andres Pastrana, virtually no one believed that those conversations could have been real. There was talk about substitution of voices, and manipulating, tainting, and editing of cassettes. Those who thought that the voices were real believed that it involved a crazy act by Alberto Giraldo to impress the Rodriguez Orejuelas, or a setup by the Cali Cartel to discredit the new government. The only thing that no one believed was that the story was true.

Now, a year later, the Prosecutor General's Office has ruled that it was all true. The tape recordings were authentic; their content was real. There was an intention of financing the campaign, and it received the money consciously. Because of this, nearly all the leading participants in this incident are in jail. Ever since that time, people have not ceased to wonder: If the argument to keep the government in power was that what was said on the "narco-cassettes" was a lie, why hasn't it fallen after the confirmation that it was all true?

The answer to that question is not simple, because it has a combination of elements of good luck, good handling, and, in particular, lack of an effective opposition. The good luck consisted of the fact that the scandal began at the end. If the cassettes had appeared now, they would be the definitive confirmation of all the rumors and of the investigations conducted by the Prosecutor General's Office. That is what happened in

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the Watergate case. The scandal had lasted a year a year and a half until one day, when it was revealed that there were tape recordings of what happened. Three days after they were totally divulged, President Nixon resigned. The tape recordings were considered definitive evidence. In Colombia, the exact opposite occurred: It began with the definitive evidence. Since no one believed in it at the time, the impact of the scandal was lost, and the public started becoming familiar with the facts.

The gradual nature of the process enabled the president to handle the crisis politically. The mere fact that he is seated on the Throne of Bolivar today proves that this handling has been successful. His basic strategy consisted of judicializing what had been a political scandal. A year ago, Colombians were debating whether the presidential election had been bought by the Cali Cartel. Today, no one is debating this. The question now is whether or not the president knew. And since no one has come up with this evidence to date, Ernesto Samper cannot be declared to blame.

If the chief executive has not committed any crime, his continuation in power must depend on the political support of both the people and the Congress. And Samper has always been very clever about this. The backing from Congress is more understandable, because it depends on the chief executive for its survival. But the odd part about it is that he has had popular reactions in his favor, which have baffled even the political experts.

Case 8000 is leaving the impression that it is a scandal for the ruling class. The drug traffic and hot money anger the members of the social class to which Ernesto Samper and Fernando Botero belong more than they do the lower income sectors. High society is polarized as never before over the 5 billion pesos from the Rodriguez Orejuelas. There is in those circles a puritan attitude toward contamination with the drug traffic, which has broken the monolothic class unity that had always prevailed. As a result, lifelong personal and family relationships have been severed. For this reason, unusually critical positions toward the government have arisen among certain journalists, politicians, and business owners who, traditionally, would have backed the system, but who, on this occasion, consider the truth more important than solidarity with the regime. In those lofty circles, "narco-politics" was considered a reality among the provincial political bosses, but not in the world of the Samper Pizanos or Botero Zeas.

Nevertheless, aside from the indignation of a part of their social group, the majority of Colombians do not show such indignation. Ernesto Samper is perceived as a good man who has acted the same as everyone else, and has been unjustly persecuted. In the provincial areas, the drug traffic is more of an economic factor than a social and moral menace. Hence, it does not surprise people that the town's rich should finance politics.

For their part, Ernesto Samper and Fernando Botero are not viewed as corrupt politicians who wanted to become wealthy, but rather as decent persons who experienced an electoral panic. This is a reality that has enabled them to maintain their prestige despite all the scandal, and has lent them the image of decent, upright persons in the face of adversity. That is why the polls show that the majority of Colombians believe that the Cali Cartel's money entered the campaign, and also that president Samper knew about it; yet they do not believe that he should resign. This attitude on the part of the person on the street carries far more political clout than the opinions of disillusioned friends of Ernesto Samper who are maligning him at all the cocktail parties.

Finally, there are two particular circumstances that have strengthened the president's position. The first is Fernando Botero's detention. Public opinion and justice required a bigwig to appease appetites, and a top-level official to be identified. It was incumbent on the defense minister to play this role, and his prison detention has eased the pressure on the chief executive, leaving the impression that there has been no total impunity related to the scandal.

But, unquestionably, what has most benefited Ernesto Samper is the uncertainty regarding who would succeed him. Based on the Constitution, Humberto de la Calle is entitled to do so, in his capacity as vice president. However, although he has legal legitimacy, there are serious doubts about the political legitimacy of succession on the vice president's part, since he was elected with the same funds as was Ernesto Samper. Even more doubts are raised by the possible election of an interim president by the Congress. So much dirty water has been poured on that body that many fear that the one selected might be a congress member with a grade lower than three in conduct. This lack of clarity concerning the government transition has produced a sense of leaping into a vacuum, in the event of the president's resignation. Most Colombians prefer to keep Ernesto Samper rather than to open the door to uncertainty.

Added to all the preceding is the fact that Ernesto Samper has proven to have an amazing capacity for endurance. He has always been a tenacious politician, with a capacity to surmount crises. But in this, which has been the crisis of his life, he has displayed not only tenacity, but also a thoroughbred quality that everyone acknowledges in him.

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Correction: Government Minister Said To Resign

PA1912150795

The following correction pertains to the item headlined "Government Minister Said To Resign," published in the Latin America DAILY REPORT, page 45:

Column two, only paragraph, second sentence make read: ...Affairs, as unfriendly. Gelbard has berated the... (rewording)

Correction: Ministers Present Resignations in Letter

PA1912195995

The following correction pertains to the item headlined "Ministers Present Resignations in Letter to Samper," published in the Latin America DAILY REPORT, pages 44-45:

Page 45, column one, second full paragraph, only sentence make read: ...told EFE that even though one sector of the Conservative Party strongly opposes his government, he will keep members of this party — there are three at present — in his cabinet. Samper also favors continuing to investigate his possible responsibility in the infiltration of drug money into his electoral campaign.... (rewording)

Paraguay

Chamber of Deputies Head on President, Other Issues

PY1912021095 Asuncion ABC COLOR in Spanish 17 Dec 95 p 8

[Interview with Juan Carlos Ramirez Montalbetti, president of the Chamber of Deputies, by ABC COLOR reporter Hugo Ruiz Olazar; place and date not given]

[FBIS Translated Text] [Ruiz Olazar] Congress is being criticized more and more all the time, and the executive branch is not the only source of criticisms.

[Ramirez Montalbetti] The executive branch is attacking Congress because it wants to cover up its own ineptitude....

[Ruiz Olazar] Are there any shortcomings Congress should acknowledge?

[Ramirez Montalbetti] We seem to be unable to cope with the huge legislative demand, with social demands. We do not have the courage to accept changes. We lack infrastructure....

[Ruiz Olazar] Is it difficult to steer such a large group of deputies? There are eighty of them.

[Ramirez Montalbetti] It is difficult. The Chamber of Deputies has 22 committees, 40 percent of which have no issues to discuss. We want to merge them into just 11 committees and prevent deputies from serving on more than one committee.

[Ruiz Olazar] From the outside the people see how easy it is for you to get distracted by internal squabbles....

[Ramirez Montalbetti] There is a lack of maturity. Many people come to Congress to settle internal party issues, and to take advantage of the microphone in front of them and of the fact that the press is always around, to pursue their personal goals.

[Ruiz Olazar] It would seem that President Juan Carlos Wasmosy has insulted you with his remarks about the work of the Congressional Investigative Committee (CBI).

[Ramirez Montalbetti] It is one of his favorite ploys. It is perfectly clear to me that he is trying to downplay, discredit, and downsize the work of the CBI....

[Ruiz Olazar] What are you going to do?

[Ramirez Montalbetti] There are congressional procedures, and we will demand that the president submit the information he has in writing.

[Ruiz Olazar] Isn't there a mutual exchange of insults? I mean, the president said that you were a bunch of blackmailers. No sooner did he do this than Deputy Walter Bower bombastically replied: "We will make him swallow his words...."

[Ramirez Montalbetti] Rebuttals of this sort are personal....

[Ruiz Olazar] It is like one of those cowboy movies....

[Ramirez Montalbetti] As part of the Chamber of Deputies, we are critical; as part of the opposition, we believe that this administration is failing. Rural issues have been neglected. Serious mistakes were made in the management of financial affairs.

[Ruiz Olazar] You are blaming the executive branch for this....

[Ramirez Montalbetti] Of course. The Central Bank is under the direct jurisdiction of the president of the nation. The administration is responsible for the current financial debacle. People like Crispiniano Sandoval and Jacinto Estigarribia [former Central Bank chairmen] were proven to have had private financial companies that were working together with the Central Bank. These people were not arrested. I call that impunity!

[Ruiz Olazar] The people may also call the opposition in Congress to account. You, the opposition, have the majority, and yet you never used your power to change the course of things....

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[Ramirez Montalbetti] Oh, well, we do have some black spots. We did not find it easy to do our job because although we started out with a democratic alliance, internal squabbles have seriously weakened the bloc....

[Ruiz Olazar] Why did the state reform fail? Why did privatizations fail?

[Ramirez Montalbetti] They failed through no fault of the opposition. The very leaders of the Colorado Party refused to support the executive branch....

[Ruiz Olazar] How can that be? Privatization is part of Wasmosy's government program....

[Ramirez Montalbetti] President Wasmosy's electoral platform contained many promises....

[Ruiz Olazar] In any case, he says that Congress is to blame for all of this.

[Ramirez Montalbetti] The executive branch does not enjoy the support of his party. Thus, Wasmosy is trying to blame the opposition. He wants to convince the people that the PLRA [Authentic Radical Liberal Party] is part of the administration. We are not part of the administration.

[Ruiz Olazar] But you do support him through the governability pact.

[Ramirez Montalbetti] Under the circumstances, we are supporting him on the most sensitive issues. The opposition has been trying to stabilize the institutions. Wasmosy's own party is the one that is not letting him govern the country.

[Ruiz Olazar] In the meantime, it is difficult to understand the contradictory behavior of the congressmen. Why did Congress decide to increase the budget above and beyond the expectations of the executive branch?

[Ramirez Montalbetti] The opposition did not have the necessary majority. The PLRA wanted to freeze the salaries of public servants. We needed 41 votes, but we did not get them. We failed. I tell you once again that our majority is too flimsy.

[Ruiz Olazar] You are blaming the Colorado Party deputies....

[Ramirez Montalbetti] Absolutely....

[Ruiz Olazar] People know that the opposition has a majority in Congress....

[Ramirez Montalbetti] It is not that simple, and it is dangerous to generalize. The opposition bloc does not work like a machine. One should analyze the internal forces at play to realize what is going on, to understand....

[Ruiz Olazar] Congressmen vote according to what is going on inside their political parties?

[Ramirez Montalbetti] Sometimes yes, sometimes no.

[Ruiz Olazar] Are national issues being neglected because of internal party squabbles?

[Ramirez Montalbetti] One has to be here to understand. The journalists who cover congressional activities know very well who is who in this place. Furthermore, a two-vote majority is nothing in a group of 80 people....

[Ruiz Olazar] Does congressional immunity amount to impunity?

[Ramirez Montalbetti] What do you mean?

[Ruiz Olazar] You argue with each other. You drown in words. You insult each other, and no one can do anything about it....

[Ramirez Montalbetti] There is no way of stopping it. An attempt was made last year to systematize the right to address the floor, as is done in other countries. Here it was looked upon as an attack on freedom of speech. We go from one extreme to another, from dictatorship to misuse of freedom....

[Ruiz Olazar] Isn't this request for information aimed at forcing Wasomosy to say who the CBI blackmailer and terrorist is, too petty an issue to be wasting time on it?

[Ramirez Montalbetti] It is not a petty issue if we take a serious approach to it. If somebody says that there is "corruption," then that person should allow it to be investigated in the appropriate forum, which in this case means Congress. We are criticizing the fact that information is being withheld. That is not a petty matter....

[Ruiz Olazar] What about the congressmen? This year we must have heard them accusing Wasmosy of corruption and everything else, at least 100 times....

[Ramirez Montalbetti] We are not in a rose garden. It is no longer just babble, however. Crimes are being mentioned. We want to clean the house. We cannot have any criminals among us....

[Ruiz Olazar] Let us suppose that Wasmosy gives you some names. Can you take any action?

[Ramirez Montalbetti] I believe that we can carry out an investigation. If there has been any blackmail, let those who have been blackmailed come out and show us some evidence. We cannot spend our time slinging mud at each other. When we say that this administration's political and economic projects have failed after more than two years in power, we have the evidence to back our statements...,

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[Ruiz Olazar] You would not be able to take action against any deputy because of congressional immunity....

[Ramirez Montalbetti] We have the power. We can judge and expel deputies....

[Ruiz Olazar] There is (Blas N.) Riquelme [senator for the Colorado Party and candidate for party presidency]. The Senate was investigating him....

[Ramirez Montalbetti] There are some undeserved immunities one has to put up with. He is a senator who does not work at all. He spends most of his time slinging mud at his own fellow partymen....

[Ruiz Olazar] He said Congress was a piece of shit, and that congressmen can be bought and sold....

[Ramirez Montalbetti] Undoubtedly, in Mr. Riquelme's case congressional immunity is tantamount to impunity. His peers should have punished him. They did not have the courage to do so, probably because of internal considerations. Just imagine, a senator saying all these things....

[Ruiz Olazar] Should the CBI be disbanded, as Wasmosy wants?

[Ramirez Montalbetti] The CBI should be a permanent institution. At least I will advocate this. It has opened up several cans of worms. I do believe, however, that its members should change to stop people from talking. The PLRA changes its members every year....

[Ruiz Olazar] Your own colleagues are criticizing you for having gone to talk to Wasmosy....

[Ramirez Montalbetti] I was acting on instructions from the floor! I did not volunteer.

[Ruiz Olazar] [PLRA] Deputy [Francisco] de Vargas has said that you went there to sign a "pact of silence."

[Ramirez Montalbetti] This person sees ghosts everywhere, so he is hardly in a position to comment on these matters. I will not become a puppet running around and making irresponsible remarks and comments. This is my position....

[Ruiz Olazar] In any case, the president put you in a tight spot.

[Ramirez Montalbetti] He is the one in a tight spot that makes him look irresponsible. He has shown no evidence. Because of our prudent and cautious attitude, we are being accused of covering up. One has to be dumb to see things that way....

[Ruiz Olazar] Whether Wasmosy supplies the evidence or not, we can safely bet that this affair will come to nothing, as usual....

[Ramirez Montalbetti] That is a typically Paraguayan assumption. Let us wait and see. I do not believe that the president will supply any evidence. This is my reading of our conversation with him. I do not believe that he will supply anything.

[Ruiz Olazar] He can also rest assured that nobody will sue him, just as he cannot do anything about you....

[Ramirez Montalbetti] That is just the president's assumption. There is always impeachment....

[Ruiz Olazar] Impeachment....

[Ramirez Montalbetti] Theoretically speaking, the possibility is always open. Personally, I do not believe it will come to pass because we need this process to move on until 1998, when the opposition will take over the administration. Practically speaking, this administration is digging its own grave. We do not have to help it. It is digging its own grave, and we need stability even if it makes us look weak....

[Ruiz Olazar] You are saying that the PLRA will take over the administration in 1998. That is not very likely if you keep increasing the salaries of public servants, thus helping to maintain a bloated state which is the source of Colorado Party patronage....

[Ramirez Montalbetti] Once the opposition takes over the administration, it will reduce the size of the state. Because of its policy of partisan patronage, this administration is unable to make changes. Anyone can see this....

[Ruiz Olazar] You will face the opposition of approximately 200,000 families, around 1 million people (five individuals per family) linked to public service, who will surely vote against you....

[Ramirez Montalbetti] I do not know about that. In the previous elections we lost by just 100,000 votes, despite what you say. I believe that this time the people will choose modernity instead of handouts.

[Ruiz Olazar] Is the opposition going to unite?

[Ramirez Montalbetti] Yes, I firmly believe so.

[Ruiz Olazar] Against [Army Commander] General [Lino] Oviedo?

[Ramirez Montalbetti] I hope that General Oviedo will run for the Colorado Party....

[Ruiz Olazar] Aren't you afraid of him?

[Ramirez Montalbetti] Not at all. As long as they wear the shoulder bars, they are all clay heroes. Once they take them off, they become average mortal beings like the rest of us....

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Peru

Fujimori: Military To Withdraw From Drug Struggle

PY2212025895 Lima America Television Network in Spanish 0100 GMT 22 Dec 95

[FBIS Translated Excerpt] President Alberto Fujimori announced today that he will order the Armed Forces to withdraw from the struggle against drug trafficking and that the National Police will continue with this task. This will be possible through a law to be promulgated by the government in use of the legislative powers granted by Congress.

The announcement was made by President Fujimori during the closing of the academic year at the Chorrillos Military Academy.

[Begin recording] [passage omitted] [Unidentified reporter] In his speech, President Fujimori expressed his public recognition for the Armed Forces, which, along with the National Police, carried out important work in the struggle against terrorism and drug trafficking. He said that some actions of the Armed Forces were not duly valued by the judicial branch and the Attorney General's Office. Fujimori also referred to the press campaign that could undermine the image and strength of the military institutions. Fujimori then made an important announcement.

[Fujimori] I found it necessary to make some changes. From the time the new juridical framework goes into effect, the Armed Forces will withdraw from the struggle against drug trafficking. Therefore, the National Police will retain, as is their duty, exclusive responsibility for this task, with the support of the judicial branch and the Attorney General's Office.

[Reporter] The withdrawal of the Armed Forces from the struggle against drug trafficking is one of the first measures adopted by President Fujimori as a result of the legislative powers granted by Congress. [end recording]

Intelligence Report on 'Frantic' Ecuadoran Rearming

PY2212000995 Lima LA REPUBLICA in Spanish 15 Dec 95 p 2

[Report by Fanny Mora Vidal — all weapon types as published]

[FBIS Translated Text] Reports issued by Peruvian military intelligence services show the Ecuadoran Armed Forces began a frantic weapons purchasing spree immediately after the clashes in Alto Cenepa.

Among the materiel recently purchased are five state-of-the-art Anglo-French PUMA helicopters that have multiple functions, especially transport and attack.

They cost $38 million each. The eight helicopters that were damaged during the conflict at Alto Cenepa were recovered, repaired, and placed at the disposal of the Ecuadoran Air Force, FAE.

The FAE has also purchased 60 A-A French-made Matra-Magic 2 missiles especially fitted for Mirage F1 planes or attack planes of the Jaguar type. They can also be used on the Kfir planes.

The sources said Ecuador has purchased thousands of rounds of English "Flare" [name given in English] ammunition, which generates heat similar to that produced by plane engines. They confuse heat-seeking missiles.

The recent Ecuadoran purchases include 350 mortars, 8,000 FAL [Light Automatic Rifle], 18 155 mm cannons, 50 heavy machine guns, 36,000 rounds of ammunitions for cannons, 200 tonnes of explosives, 50 million rounds of ammunition of different calibers, and more than 10,000 grenades. Also on the list is a AN/TPS-70 Tactical 3-D mobile air surveillance radar which has an outstanding range and provides very detailed information.

The Ecuadoran Navy has bought 5,000 rounds of 0.50 mm ammunition for Browning machine guns; 2,000 40 mm grenades for M-79 mortars, 20 mine detectors, six 120 mm mortars, 280 lighting mortar grenades, 50,000 120 mm tracers, 3,000 high-expansion rounds for 81 mm mortars, 1,000 high-expansion rounds for 120 mm mortars, and 10 0.50 mm machine guns.

The purchase includes six tripods for MK-19 cannons, six M-64 supports for 40 mm cannons type MK-79, 20 mine detectors, and 30 M-79, HK-40, and MGL-6 grenade launchers of South African origin.

The Ecuadoran Army purchased 5,000 smoke rockets for use with rocket launchers and mortars.

The Army also purchased 30,000 Arges grenades, 1.2 million rounds of 9-mm ammunition for pistols and submachine guns, 10 million rounds of 5.56 ammunition for M-16 assault riffles, 5,000 rounds of ammunition for anti-aircraft cannons and for the 20 mm Oerlikon machine guns used in the Vulcan Air Defense System, 5,000 rounds of 122 mm ammunition type BM-21 for rocket launchers, and 1 million rounds of caliber 0.50 ammunition for anti-aircraft weapons like the caliber 0.50 Browning HB2 machine gun.

The Ecuadoran Army also purchased many types of mines even though international war law forbids it.

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Ecuador has obtained 30,000 Claymore M-18 directional mines, 30,000 anti-personal mines, and 10,000 antitank mines.

The Army also purchased 900 rounds of Type 106 cannon ammunition, 30,000 defensive hand grenades, 1,000 high-expansion rounds for 105 mm AMX-13 French made tanks, 5,000 40 mm Type M-79 grenades, 10 million rounds of 7.62 x 51 ammunition for FAL riffles, and 20,000 grenades for 4.2 and 5.56 caliber FAL assault riffles.

The sources said these purchases are in addition to those during the conflict, such as the operation in February when two Ecuadoran Hercules C-130 planes brought abundant war materiel from Spain.

That deal included thousands of rounds of 7.62 x 51 mm ammunition for FAC machine guns and 7.62 x 79 mm ammunition for AKM riffles.

The cargo included penetration bombs for use on airports which make large holes in the ground, fragmentation and shrapnel bombs, and bombs that drop with parachutes for added precision.

The military intelligence sources reported that they detected the purchase of rockets for multiple 120 mm launchers; missiles; SAM-3 missile pads; 90 AK-47 rifles — which are lighter that the AKM and have folding stocks; and C-4 plastic ammunition and explosives (used to demolish obstacles and which have a cutting effect).

These are not isolated purchases. They are part of a campaign of purchases that started long before the conflict.

For instance, in 1994 the Ecuadorans purchased 90 SAM-16 IGLA anti-aircraft missiles, a simulator for these missiles, 30 SAM-16 IGLA missile launchers, 662,000 rounds of machine-gun ammunition, 15 BM-21 multiple rocket launchers mounted on combat vehicles, 12,880 BM-21 rocket launchers, 9,489 RPG grenades, and 108 RPG-7V rocket launchers. All this equipment was purchased from Nicaragua.

The sources added that in 1994 Great Britain sold Ecuador spare parts for planes, radars, and Blowpipe missiles — portable anti- aircraft units — and the missile carrier frigate "Leander."

Ecuador also purchased 140,000 HK 5.56 mm rifles from Germany.

Israel, which according to all indications will sell Ecuador Kfir planes, sold Ecuador 12,000 5.56 mm Galil rifles, AP and AT mines, and 81 mm caliber mortars.

China sold the Ecuadoran Armed Forces 20 37 mm twin-barrel Type 80 cannons, four Type 702 radar directors, 36 23 mm twin-barrel Type 85 anti-aircraft cannons, 25,000 rounds of 37 mm ammunition, and 25,000 rounds of 23 mm ammunition.

Reports Address MRTA Activities, Arms Acquisition

Documents Reveal Reorganization Plans

PY1512164195 Lima LA REPUBLICA in Spanish 4 Dec 95 pp 2-3

[FBIS Translated Excerpt] The Tupac Amaru Revolutionary Movement [MRTA] invested several million dollars to acquire weapons and reorganize its cadres at a nationwide level. This was learned from confidential documents found by the police in a luxurious residence in the La Molina neighborhood, the metropolitan region "bunker" of MRTA leader Miguel Rincon Rincon, who has been arrested.

The money was obtained by the MRTA through various strange international donations and "fees" charged to drug trafficking rings that operated in Upper Huallaga.

Most of this fabulous amount of money ended up in the hands of Panamanian arms trafficker Gustavo Lopez, who supplied MRTA leaders with war materiel purchased in El Salvador from the dismantled Farabundo Marti National Liberation Front.

The valuable MRTA archives seized by the police after the fierce shootout in the Remanso housing development contains classified information on the aforementioned.

Moreover, thanks to this information, it has been established that the first shipment of weapons purchased by the MRTA was smuggled into Peru through the Brazilian border on 18 August 1994.

Two similar shipments were received by the terrorist leaders in November 1994 and January 1995. The fourth shipment of AK-47 rifles, RPG-7 rocket launchers, Instalaza-type antitank grenades and mortars never reached its destination.

The Panamanian police discovered this shipment of materiel in Colon Port on 6 February 1995. Arms trafficker Gustavo Lopez, arrested shortly afterward, asserted at that time that the huge arsenal was for "the MRTA terrorists."

Dincote [National Counterterrorism Directorate] was able to confirm this version nine months later through the confidential documents it seized from Miguel Rincon Rincon, aka "Comandante Francisco."

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The MRTA silent process of acquiring weapons and becoming reorganized began — according to the same source — 15 months ago, in September 1994, due to the harsh blows struck by the police throughout nearly all of Peruvian territory to the already decimated terrorist organization.

The blow sustained in Lima on 4 June by the so-called "Special Forces" (groups in charge of abductions) and the arrest of Chilean terrorists Jaime Castillo Petruzzi, Maria Concepcion Pincheira, Lautaro Mellado, and Jorge Astoga Valdez marked the beginning of what the MRTA leadership called "4-B Project."

Panamanian architect Pacifico Copilla Santamaria (48) and his U.S.-born wife Lori Helen Berenson Mejia (26) were in charge of negotiations in Panama with arms trafficker Gustavo Lopez, according to our sources.

The same couple also acted as intermediaries, in late May, to rent the luxurious residence on 1049 La Alameda del Corregidor Street that "Comandante Francisco" and 21 other terrorists who were captured with him used as a hideout. [passage omitted]

'Sources' Report on Reorganization

PY1512235395 Lima LA REPUBLICA in Spanish 6 Dec 95 p 16

[Report by Angel Paez]

[FBIS Translated Text] The Tupac Amaru Revolutionary Movement, (MRTA) maintains an army of 110 men armed with sophisticated weapons in the so-called Central Jungle "Juan Santos Atahualpa" Guerrilla Front in Satipo and Chanchamayo Provinces, and in Oxapampa, Pasco Department.

Intelligence sources have reported that those MRTA members who repelled the action to capture Miguel Rincon Rincon in a residence located in the La Molina District belong to this front.

They proceeded to regroup in August 1994, first with former members of the defunct Northeastern Jungle Front, and continued in November after the deadline to surrender under the repentance law expired.

According to the National Counterterrorism Directorate [Dincote] Nestor Cerpa Cartolini, aka Comrade Caceres, was in charge of regrouping the subversives who were disbanded by the hard blow dealt by the Huallaga Front.

In November, the Mantaro Front intelligence services detected the deployment of an armed column dressed in uniforms in the central jungle, namely in Satipo and Chanchamayo Provinces, Junin Department, and in Oxapampa Province, Pasco Department.

It was established that the MRTA had a guerrilla training center in the Rio Oso area, on the right margin of the Perene River, very close to the confluence of the Chanchamayo River. In this center they conduct target practices with handguns and rifles and assault operations against police and military units.

The Jose Santos Atahualpa Guerrilla Front of the Central Jungle is subdivided into the Right Bank Guerrilla Sub-Front which comprises 60 men, and the Left Bank Guerrilla Sub-Front which has 50 men.

Comrade Amador, or Willy, is the top leader of the Right Bank Sub-Front and of the entire Juan Santos Atahualpa Front apparatus. He is accompanied by Joaquin (second political command); Jaime or Froylan (military command); Jose (logistic command); and Angel (in charge of communications).

Moreover, the sub-front is divided into eight squads, each of them led by their own commander (Salvador, Edu, Brandy, John, Daniel, Cesar, Roller, and Sonia).

Without including collaborators and supporters, the armed group also encompasses 20 "militiamen."

Also identified were the members of the Left Bank Guerrilla Sub- Front led by Joel (first command); JR (second command); Miguel (third command); Eusebio (fourth command); Ever or Edy (fifth command), and Feliciano (the ideologue). This sub-front is subdivided into nine squads.

The forces of order have also established the areas of deployment of the Central Jungle Guerrilla Front.

The Right Bank Sub-Front operates in Valle Hermoza, Vista Alegre, Santa Rosa, Independiente, Miricharo, and Pucusani.

The Left Bank Sub-Front subversives are deployed in Monterrico and Santa Rosa, near La Merced, in San Juan, Pueblo Libre, Huancamayo, 28 de Julio, nearby Oxapampa, and Villa del Perene.

Intelligence sources have stated that the MRTA members have not only conducted training and target practice exercises but also "worked among the masses," that is, they conducted propaganda and indoctrination campaigns to recruit people.

To avoid being followed by countersubversive forces, the leaders establish themselves far from the site the militiamen are stationed. They are closely protected by a security team to avoid infiltrations or any accusations.

Dincote sources have reported that these were the subversives that were sent to Lima to protect Miguel Rincon Rincon, and who were being trained to conduct

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major actions (taking over towns) in the central jungle region.

The sources said that despite their youth, the MRTA members have received extensive jungle guerrilla training for over one year precisely in the same area where the Leftist Revolutionary Movement tried to establish a liberated zone emulating the experience of the Cuban rebels 30 years ago.

Rincon Rincon's capture has uncovered the MRTA plans to reactivate its guerrilla activities. It had set up its operation center in the Oxapampa and Satipo jungle regions, which are areas of difficult access and appropriate to conduct the so-called low-intensity wars.

The strong resistance posed by MRTA members in La Molina and the types of weapons used show that the members of the Juan Santos Atahualpa Central Jungle have received rigorous training and that they are knowledgeable in the handling of sophisticated weapons.

Intelligence sources have reported that the MRTA's arsenal in the central jungle region includes: 60 AKM rifles; 15 FAL rifles; two MAG machine guns; two RPG submachine guns; 12 UZI machine guns; eight Instalaza grenade-launcher rockets; 12 submachine guns; 16 breech-loaders; an undetermined number of pistols, revolvers, and grenades; and 21 pieces of radio transmitter equipment.

The terrorists obtained their weapon and ammunition supplies through trucks coming from Huancayo, and interprovincial buses coming from Lima by mail.

The sources added that the presence of former conscripts mainly from the Army bases in Jauja, La Merced and Chanchamayo have been detected among the subversives.

It is presumed that these conscripts were responsible for training the youths recruited in the area and for setting up the MRTA squads in view of their knowledge of the region where the operations that seek to reactivate the MRTA would be conducted.

The latest reports collected by the security forces reveal that almost intil July, Nestor Cerpa Cartolini was among the members of the Central Junge Jose Santos Atahualpa Jungle Guerrilla Front. This group is named after the mestizo leader who rebelled against the Spanish crown in this region in the 18th century.

Cerpa Cartolini, who is reportedly the MRTA top-ranking leader, under the alias of comrade "Caceres," devoted one entire year to organize the guerrilla squads and platoons with the objective of conducting large-scale attacks in a stubborn and senseless attempt to recover the political space the MRTA had conquered by violent means.

Arsenal Said Supplied by Guerrillas

PY1912163395

[FBIS Editorial Report] Lima LA REPUBLICA in Spanish on 11 December carries a 600-word report on page 3 noting that the arsenal that the Tupac Amaru Revolutionary Movement, MRTA, had accumulated to seize the Peruvian Congress was acquired from Nicaraguan and Salvadoran guerrilla groups and shipped via Panama.

The report mentions that although Miguel Rincon Rincon, MRTA's second in command, was "politically responsible for the occupation of Congress, Jaime Ramirez, 37, aka Comrade Rafael, was the one militarily responsible for the operation."

After noting how it was established that the MRTA weapons were shipped from Panama by Gustavo Lopez Garcia and Euclides Mendez, who were linked to the Panamanian Liberation Movement, and by the Chilean Manuel Cruz Suarez, who has Panamanian citizenship, it mentions that once in Lima the weapons went to Oxapampba, "where the MRTA was organizing the Juan Santos Atahualpa Front" and also "to Bolivia where the MRTA was involved in cases of abduction," such as that of former Planning Minister Samuel Doria Medina who was allegedly held captive somewhere in Puno, Peru. Another large portion of the arsenal "was obviously kept in Lima for the subversive group's activities there."

The report ends with an account of Panamanian citizen Pacifico Castrellon and U.S. citizen Lori Helene Berenson's involvement with the MRTA.

People Displaced by Violence Returning Home

PY1912203495 Madrid EFE in Spanish
0159 GMT 17 Dec 95

[FBIS Translated Text] Lima, 16 Dec (EFE) — Guillermo Wong, representative of the Repopulation Support Program [Programa de Apoyo al Repoblamiento—PAR], said today that approximately 250,000 people who ran away from terrorist violence in Peru are returning to their homes.

Approximately 140,000 people returned to their homes on their own initiative and 110,000 returned with government support and in an organized manner, said the representative of that organization, which is under the jurisdiction of the Presidential Ministry.

Wong said that the PAR took care of the transportation, food, medicine, and distribution of seeds for those

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returning to their farm land after almost a decade of absence.

The political violence unleashed by the Shining Path terrorist group in May 1980 lead to a massive immigration of people, especially from the Andean region of the Ayacucho, Apurimac, and Huancavelica departments toward the Peruvian coastal region.

After the harsh blows dealt by the security forces to the Shining Path since 1992, which reduced its activities to a minimum, the people who were displaced began to return to their homes.

According to the ANDINA national news agency, Wong said that the PAR has received contributions from other state organizations, such as the agriculture, health, and transportation and communications ministries, as well as from the National Food Assistance Program.

Wong indicated that the assistance is not only for those returning, but also for those who stayed in their towns during the years of violence.

According to official sources, the number of persons who were displaced by terrorist violence in Peru exceeds 600,000.

Clandestine Radio Stations Operate in Chimbote

PY1512192095 Lima EL COMERCIO in Spanish 2 Dec 95 p B12

[FBIS Translated Excerpt] Chimbote — Marina Guillen Boudy, chief of the Regional Office for Housing and Communications has reported that 22 of the 33 radio stations which currently operate in this port are clandestine, and that their unauthorized frequencies cause interference.

She stated that those illegally operating these radio stations must comply with the established norms, or they will be sanctioned by the law. [passage omitted]

Uruguay

Foreign Minister Discusses Economic Policies

PY2012144195 Montevideo EL OBSERVADOR in Spanish 8 Dec 95 p 12

[Interview with Foreign Minister Alvaro Ramos by Leonardo Bolla; place and date not given]

[FBIS Translated Text] [Bolla] What is the Foreign Ministry strategy to help the export of Uruguayan products?

[Ramos] The Foreign Ministry strategy must be consistent and in agreement with the national economic development's greater definitions and guidelines. It is worth noting that the highest level of competitiveness was developed in the agro-industrial area, which is based in the processing of raw materials produced by primary groups. This development provoked changes in national exporting policies that changed its emphasis from the export of basic products to the export of elaborated products with more added value, better differentiation, and increased competitiveness.

It is a Foreign Ministry function to defend our sovereignty in the economic and commercial areas in a world where trade is the key for growth and social well-being. Today, nations grow by importing and exporting. Our sovereignty is exercised by winning and preserving markets.

For instance, a short time ago we were able to make our first export of rice to Japan and even though the shipment was small it is the first time Uruguay has placed its rice in a difficult market. Public and private operators must preserve these victories by shipping high-quality products. In the case of China, which is the third most important Uruguayan trade partner because it purchases more than 50 percent of our national wool production, we must speed up the process of retooling (to go from the production of dirty wool to top quality wool) and adapt our production to the demands of the Asian market. We have a permanent concern to preserve and improve our relations with China in political and commercial aspects. At the regional level we must look after the difficulties posed by nontariff obstacles and commercial barriers.

We can also help the private sector by obtaining information on the behavior of markets, unsatisfied demands, and operation conditions. This information must be permanently and timely passed to the private sector. We can prepare the conditions for access to a certain market and make the appropriate information available, but it is up to the private sector to act. For instance, the country was declared free of hoof-and-mouth disease, but we must still prepare the field for the incursion of exporters.

The Foreign Ministry is continuously working in the United States to preserve the recognition of our sanitary status.

[Bolla] How will the government face the difficulties posed by unfair trade practices?

[Ramos] With a permanent attention to the issue's technical aspects. The Finance and Economy Ministry's Foreign Trade Directorate holds regular meetings with the private sector and can detect difficulties to access certain markets and unfair practices. We must be pragmatic: As soon as we detect a problem we start working with the different governments — at the

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technical, political, or diplomatic levels — to solve it. Sometimes this work is not easy.

With respect to unfair competition at Mercosur [Common Market of the South] level we insist on two aspects: We propose legislation to defend ourselves and try to coordinate criteria among the four Mercosur member countries. We need to create juridical organs to interpret norms and answer private sector questions on elements affecting trade at the Mercosur level.

Diversify and Increase Markets

[Bolla] What is the Foreign Ministry doing to overcome the obstacles imposed by the Brazilian Government?

[Ramos] The latest remarks made by the Brazilian president shows that the issue is being discussed at very high levels. Our government made the greatest effort to eliminate the obstacles posed by import guides and the financing of textile products. Some positive decisions were already made and other decisions will be made shortly. There is an awareness of the problem and we will continue working to improve access conditions, which today are very difficult. We must broaden and diversify our markets. On the other hand, there are new and appropriate conditions to export to Iran and to significantly increase our quota of rice exported to Chile. This is very positive because it diversifies our supply to different markets.

[Bolla] Do you obtain effective answers or are decisions delayed?

[Ramos] There is a little of everything. But looking at the problem from a positive angle we must consider that all the difficulties Mercosur encountered this year went from being bilateral issues to multilateral problems involving the four partners. The areas of motor vehicles, textiles, rice and the problem with export guides have become Mercosur issues and the problem is now being negotiated among the four partners.

[Bolla] Can we take advantage of the visit of Mexican officials to find a new market for our meat?

[Ramos] The visit of the Mexican foreign minister has the same character than the visits made by Chilean, Bolivian, Paraguayan, Chinese, Iranian, and Malaysian missions this year. This without mentioning the presidents who visited us.

The purpose is to make Uruguay known and to show that the country is economically predictable and politically stable.

The private sector must provide the content for the agreements we signed. There are good opportunities in the area of milk, meat, textiles, and in some cases leather.

[Bolla] How does the Foreign Ministry data bank in embassies operate?

[Ramos] The data bank provides updated information on our national export availability and capacity and a defined and separate information on companies with their main characteristics, economic and productive capacity, and location. The Foreign Ministry has 104 diplomatic missions connected with the central computer network. It is possible to provide — for instance to the consulate in Hamburg, Porto Alegre, or embassies — updated information on the current supply of companies producing meat, shoes, wool, or fish. The service is available to all sectors and entrepreneurs.

Foreign Ministry Implements Reorganization Plan

PY2012225195 Montevideo BUSQUEDA in Spanish 30 Nov 95 p 7

[FBIS Translated Text] The Foreign Ministry will create a Regional Integration and Mercosur [Common Market of the South] General Directorate. It will close an undetermined number of embassies and consulates in places where they are not considered necessary, send missions where Uruguay does not have a presence — such as India and Turkey, and increase the number of diplomatic officials residing in Montevideo.

Foreign Ministry sources told BUSQUEDA the initiative is part of a Foreign Ministry reorganization plan that was approved by Minister Alvaro Ramos and Under Secretary Carlos Perez del Castillo on 28 November.

The project incorporates a human resources office to the General Secretariat. This office will handle all administrative personnel matters, the functions of whom the project attempts to reorganize.

It was also decided to implement on 1 January 1996 the Regional Integration and Mercosur General Directorate. It will handle matters currently under the Economic Affairs General Directorate.

Over the next three years, the Foreign Ministry will reassign diplomatic personnel accredited abroad and implement a general reorganization of embassies and consulates, which implies closing "some" diplomatic missions and eight consular offices.

The sources pointed out, however, that new missions will be opened in other countries "because the project does not reduce, only reorganize" our representation abroad. India and Turkey are two countries where Uruguay could open new embassies.

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The sources said that the reassignment of personnel "will leave more people at the Foreign Ministry in Montevideo" because it is believed an excessive number of diplomats are abroad.

The process will last three years and will start with the meeting of a "Board of Assignments" on 4 December "to evaluate existing needs abroad."

With respect to Asia, Africa, and East Europe, it was decided "to analyze the new political situation and available commercial information" and "to program political and technical missions from Montevideo over the next three years."

Foreign Ministry sources told BUSQUEDA that the executive branch will change nine ambassadors between January and October of 1996.

New ambassadors Carlos Barros (for Cuba), Julio C. Franzini (for Egypt), Alvaro Alvarez (for the PRC), and Alberto Rodriguez Nin (for Panama) will be installed in January. Juan Jose Real (for Germany) and Carlos Brugnini (for Italy) will go in February.

Three other ambassadors will be installed between September and October. The names being mentioned are Alfredo Cazes (for Sweden), Marcial Birriel (for Iran), and Felipe Paolillo (for the Holy See and the FAO).

Article on Navigation Laws Reconciled With Argentina

PY1512191195 Montevideo EL PAIS in Spanish 7 Dec 95 p 13

[Article by Carlos Pauletti from Punta del Este]

[FBIS Translated Text] Uruguay and Argentina signed two agreements on 6 December, under which they agree to reconcile laws governing river navigation along the Parana-Paraguay Waterway and Nueva Palmira Port statutes, and to establish a Bella Union-Montecaseros Border Committee.

During a ceremony concurrent with the Mercosur [Common Market of the South] presidential summit, Foreign Minister Alvaro Ramos and his Argentine counterpart Guido Di Tella signed the notes.

They also resolved to set up a Binational Committee to propose concrete measures to reconcile legislation governing navigation along the Parana-Paraguay Waterway and the Uruguay River.

The main object is to give legal assurances to ship owners through clear and irrevocable rules so that they may undertake long-term projects and activities with the greatest guarantee.

Commenting on the signing of these accords, the foreign ministers noted that they constitute a step in the right direction towards the deepening of relations between Argentina and Uruguay. Ramos and Di Tella praised the work by the Border Development Commission presided over Homero Martinez Lawlor on behalf of Uruguay.

Venezuala

President Supports Military Presence at Border

PA2112162295 Caracas EL NACIONAL in Spanish 16 Dec 95 p 4D

[Report by Rafael Nunez]

[FBIS Translated Text] In his Christmas message to the military garrisons in the states of Tachira, Merida, Barinas, and Sur del Lago, President Rafael Caldera referred once again to the incidents caused by Colombian rebels in the border region. He commented that the guerrillas are taking advantage of the large extension of the national territory.

[Caldera] We have defended national sovereignty and the military garrisons here are one of the most important factors to carry out this task. You have an extensive and populated border region. There are frequent incidents in this border region not because of our neighbors' bad intentions or misinterpretation, but rather because of rebels who are involved with guerrillas, drug trafficking, or terrorism. These rebels have attempted to disrupt life in their own country and have made criminal incursions to obtain unrightful advantages by exercising pressure and committing criminal acts against our peaceful and hard-working people.

He added that it is necessary to admit that Colombia's record of guerrilla violence is long and extensive, that the rebels' presence has largely penetrated that country, and that the rebels are often amazed with the broad and large extension of our territory and our land and water borders. Such an extension makes it especially attractive for the rebels who continuously commit violent acts against our people.

Caldera reaffirmed Venezuela's position in favor of having armed forces on both sides of the border without having this provoke suspicion or a cooling of relations, but is rather claimed as an indispensable measure for peace and to guarantee that each country's rights and interests are recognized and satisfactorily confirmed.

[Caracas EL NACIONAL in Spanish published on 17 December 1995 a report citing President Rafael Caldera in his address to the military garrisons of Carabobo and Cojedes States in Puerto Cabello. President Caldera stated that "the ill-advised rumormongers have failed in

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their attempts to destroy the country's self-confidence." He added that "the calls for violent actions have not been echoed by the people."]

Colombian Guerrillas Attack Post; Minister Comments

PA2112030195 Caracas Venezolana de Television Network in Spanish 1545 GMT 20 Dec 95

[By Pedro Prado]

[FBIS Translated Text] Colombian guerrillas have attacked a Venezuelan border post for the second time in less than 10 days.

As Venezuelan Defense Minister Moises Orozco sees it, these actions by irregular Colombian forces will continue until the Santa Fe de Bogota government decides to increase watch patrols in the border region.

The attacked post was in Orope, a Tachira State town 6 km from the Colombian border. This military post forms part of Task Group 1.3. The Colombian guerrillas initiated actions of harassment at approximately 2200. The attack lasted until the early morning. It was repelled, no one was injured, and there was no property damage.

Regarding Colombian doubts about these attacks on our border posts, including the doubts of Colombian Foreign Minister Rodrigo Pardo, Minister Orozco has said they result from the lack of knowledge about what the true situation is:

[Begin Orozco recording] I believe Rodrigo Pardo is poorly informed. I believe our foreign minister should invite him to visit the Catatumbo and Orope posts so he may verify on the field the guerrilla attacks in that sector.

I believe he should think about this incident, and because he forms part of the executive cabinet, he could at a given moment speak in favor of Colombia making an effort and placing on the border troops or police forces to prevent the Colombian bandits from entering our territory. [end recording]

The defense minister believes Colombia is centering its attention on other problems and is leaving the Venezuelans with the uncomfortable need to confront the guerrillas:

[Begin Orozco recording] This, unfortunately, drops the problem on us, who have had to face it by using troops in task forces along the border. [end recording]

From the point of view of the Venezuelan defense minister, the attacks will continue, because poppy growers in the Perija mountain range are being fought, and this action is hurting the interests of the narco-guerrillas.

Central Bank Director Comments on IMF Aid

PA2112235295 Caracas EL GLOBO in Spanish 17 Dec 95 p 5

[FBIS Translated Text] Central Bank Director Domingo Maza Zavala has warned in a calm but hard tone that "to simply turn to the IMF and procure resources in this manner is no guarantee, of itself, of successfully overcoming the economic crisis or improving the living conditions of the majority of the people."

Maza Zavala — who is a forecaster and has been highlighted in a number of economic publications — argues that for a positive outcome of the obligations with bilateral financial institutions there is need to have a management disposition, which is not apparent.

"I do not see anywhere the presence of a joint command, an authoritative or coherent team ready to carry out radical measures as required. I believe that is the main mistake."

Dramatic Profiles

Maza Zavala has proposed a national agreement with quotas and domestic sacrifices as an independent and different option to acquiring obligations with the IMF. He added that without proper adjustments within the state's structure, the crisis will have a much more dramatic profile.

"No matter the option, if there is no effective national agreement, with definite objectives, as well as with defined available and mobile resources, we will not be able to implement a program of adjustments that necessarily leads to structural reforms, beginning with reforms to an unmanageable state. I do not see nor have I witnessed the willingness to carry out this option."

Maza Zavala said in regard to the real prospects of a national agreement that he cannot stop thinking about the required internal discipline, which is subject to supervision and sanction; and with similar obligations as any accord with an international financial organization.

"The measures to overcome the crisis will not be adopted with the needed determination, consistence, and depth. Not because of a lack of political willingness, which I believe is very strong on the part of the executive. I do not see that same willingness in the different departments of the public administration and institutions. Therefore, any implementation of adjustment programs will be filled with weak points."

Maza Zavala stressed that this deficiency will also be apparent in agreements with the IMF. "The consequences

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would be a suspension of the resources promised by the IMF and other multilateral organizations. This will trigger an increase in domestic and international uncertainty with regard to the ability of the present administration to carry out the needed adjustments of austerity and with regard to the disposition to bring upon itself high political costs."

Two Alternatives To Facing the Collapse

Maza Zavala said that if the Venezuelan economic crisis continues, then an economic collapse is unavoidable. This will mean an inability to pay, bankruptcy of a significant number of companies, a high unemployment rate, social poverty, and the state's inability to cover public or social services.

The certainty of that reality led to the signing of an accord with the IMF. "People believe this is the compelling and inevitable option. The idea that this is the only way out has spread."

Maza Zavala supported and supports a second option: the state and the Venezuelan society should lead the way out in an independent manner.

"Strict discipline should be implemented with all the sacrifices it implies, and equally shared to overcome fiscal, exchange, monetary, and financial inbalances. This could pave the way to production recovery. This is a path that, first of all, demands a real national agreement, and in the second place, willingness to make real sacrifices. This requires that the national guidance be firm, coherent, efficient, and bold before the circumstances."

Maza Zavala pointed out that this option does not mean discarding the possibility of reaching accords with multilateral organizations, but under different conditions than the ones imposed by the IMF.

"The option of reaching an accord with the IMF, the World Bank, and the Inter-American Development Bank — which will also demand discipline from the government in the administration of the economy — is an engagement that evidently limits the government's autonomy to make decisions and practically presumes supervision of the economic policy, as well as of the general management of the economy."

He admitted that by means of this option the country procures financial aid that allows strengthening of the international reserves and establishes a regime of economic freedom in a short period of time. This includes freedom of exchange, trade, investment, and to certain extent, freedom of currency and capital interests.

Therefore, Maza Zavala stressed that success would not be reached as long as there is a lack of willingness on the part of the administration.

Since the First Exchange Control

Maza Zavala said that the people's interest in the course of the economy and its changes — the popular or social economic culture — began during the 60's when the first exchange control was established. In those days bolivar parity to the dollar presented various exchanges: 3.09 for transactions by the petroleum industry; 3.35 for imports, tourists, and other transactions; and 4.25 for coffee and cacao transactions, which received preferential treatment.

The first control was established as the result of the country's economic and social environment upon the downfall of the dictatorship: an increase of imports, the emergency plan, increase of wages and salaries, reforms to the income tax, and an increase in interest rates.

He added that the measure was effective: the trade balance was recovered and the capital flight was stopped. In 1964, during Leoni's government, the first deva?uation was made when the exchange was established at 4.50.

Afterward, during President Caldera's first administration period, a "mini-revaluation" was ordered. This measure established parity at 4.30 and was maintained until February 1983, during Luis Herrera's black Friday.

The most recent events include a string of devaluations, the black market, and the development of a parallel and legal stock market: the Brady dollar.

According to Maza Zavala, the difference between the first devaluation and that announced by Finance Minister Luis Raul Matos Azocar on Monday is the absence in 1960 of the critical atmosphere present today.

"In 1960 our economy was not so dependent on the dollar as it is today. It did not depend so much on the events in the exchange market. Besides, the size of the economy was different. In those days, the economy was small with very conservative trends; moreover, there was more of a so-called proper economic and social behavior."

Maza Zavala noted that today the country's economy is dollarized. "People are more dependent on the dollar than before. On the other hand, the budget in 1960 was less than 7 billion bolivares, today it has surpassed 4 trillion bolivares. There is no point of comparison."

Maza Zavala added to this facts, the presence of the economic and social drama, which is the result of the banking system bankruptcy and the comeback of a group of Venezuelans who have not recovered

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their savings. "Furthermore, there have been important changes within Venezuelan society. A great part of the middle class has become proletarian. The income has become more concentrated than in the past. Today, poverty represents 80 percent and extreme poverty is 40 percent."

He adds that part of this new reality is the state overwhelming growth and a foreign debt that did not exist in 1960.

Budget Office Director Addresses Restructured Budget

PA2112023695 Caracas Venezolana de Television Network in Spanish 1545 GMT 15 Dec 95

[FBIS Translated Text] Regarding budget matters, Ocepre [Central Budget Office] Director Rodrigo Peraza has said the national restructured budget for 1996 has an estimated deficit of 500 billion bolivares for the service of the debt.

The Ocepre director has said the debt service amounts to 1.6 trillion bolivares in the restructured budget for 1995. Given an exchange rate differential between 170 and 290 bolivares per dollar, this debt service amounts to 394 billion bolivares, which are to be added to other 106 billion bolivares for the country's nonrestructured debt service:

[Begin Peraza recording] An immediate result thereof is the need to reestimate oil revenues that were estimated at 170 bolivares per dollar and now should be estimated at 290 bolivares per dollar. There was also a reestimation of the luxury tax. These are basically the regular revenues that were modified. [end recording]

Rodrigo Peraza concluded by saying the restructured budget will not allow the construction of new infrastructure works in 1996.

Bank President Comments on Economic Situation

PA2212033595 Caracas EL UNIVERSAL in Spanish 17 Dec 95 p 2-1

[Report by Carmen Carrillo]

[FBIS Translated Text] Oscar Garcia Mendoza does not care if the financial system is labeled an Ayatollah. Each passing day he perceives more strongly that no matter how hard he tries to promote change in favor of the country, his recommendations will always be disqualified.

That is why the president of the Venezuelan Bank of Credit answers every question without beating around the bush.

The government seems to be trying to buy time by waiting for something to happen. This is a conclusion one may infer after Garcia Mendoza announced he met and talked with IMF representatives and a loan for the country will be obtained shortly.

The important thing about holding conversations with the multilateral organization is that there is a true change of mentality in Venezuela.

"I don't think that the IMF will like, nor is it in keeping with the economic program, the two things that have been done in recent days, namely the devaluation and the establishment of a maximum sale price," he said.

Garcia Mendoza recognized that the devaluation was unavoidable, but it was not made in conjuction with other necessary measures. He added that the establishment of a maximum sale price is absolutely opposed to the liberalization that multilateral organizations normally establish as part of an economic adjustment program.

Some people think that they will resolve problems by saying things and that does not happen. Things are resolved with deeds, not words, he added.

He termed increasing the maximum sales tax as additional tax pressure but wondered: What is the economic program that increases productivity?

He expressed confidence that if a plan to curb inflation is implemented people will work more positively. However, more taxes are being proposed. In the end, people are being told that the state needs more money in a country where people are expecting services, but in practice this does not happen.

The worst tax we must pay is inflation, and nothing to reduce this tax can be observed. The policy of productivity is not being fostered; the policy of speculation is being promoted, he remarked.

He just published a book on the financial crisis. According to him, the financial crisis originated in a process of bank fraud and mismanagement.

"Fraud because bankers tried from the outset to acquire the greatest political power from the utilization of depositors' money; and mismanagement because they did not see banks as a specific business and used these resources to buy luxury offices, to have a large number of employees, a large number of branches, in other words, they were careless about the costs," he stressed.

"The financial crisis was unavoidable; it could have not been stopped. However, it was more costly after the state began to grant subsidies, handling the crisis in the worst possible manner," he noted.

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"This government is responsible for the fact the crisis grew considerably because, in subsidies and cash movements as well as in the payment of deposits that were above the law, all Venezuelans ended up paying for said subsidies. Here, small depositors were used to protect large depositors, and these costs were passed onto the population in the form of more inflation and devaluation, among other things," he warned.

He cited Bank Superintendent Francisco Debera, who said that these subsidies represented 1.8 billion bolivares in expenses.

Oscar Garcia Mendoza explained that today banks are divided into state-owned banks, from which money was withdrawn making them totally insolvent, and private banks, which are facing macroeconomic imbalances.

And he stated: "These state-owned banks stand no chance of overcoming the crisis, unless they are given fresh cash to withstand the withdrawals."

"The banks, like everyone else, have spent two years facing high inflation and three years of economic recession. They must serve an industrial sector that is not reconverted toward exports," the bank president affirmed.

"Today most bank portfolios are represented by state bonds because the state is using depositors to finance itself, and depositors do not realize that their deposits are not supported by commercial stocks but by state bonds."

"Theoretically elsewhere around the world state bonds are the most secure, but in Venezuela they are the most insolvent because we all know that the state is broke," he commented.

[Carrillo] In other words, in light of all this, don't you believe that the financial crisis has been overcome, after we have a financial system going, some bad banks out of business, and some good banks operating?

[Garcia Mendoza] The crisis has not been overcome because there is no plan to overcome the banking crisis. Neither the Financial Emergency Board nor the General Bank Superintendency have prepared a program.

In addition, the government does not have an authentic economic plan. The banks reflect economic activity in the contry. If economic activity is good, banks will do well but if economic activity is bad, banks will do poorly regardless of how good or bad bank administrators may be.

Economic factors are not acting in a positive manner. Instead, they are just resolving temporary problems. This places banks in an unfavorable position.

Banks do not work in a country where there is no prospect for development or the belief that things are being done correctly.

[Carrillo] In light of this situation, how will the implementation of increasing the operating reserve [patrimonio] from 8 percent to 31 percent, as stipulated by the General Banking Law, affect the banks?

[Garcia Mendoza] That is fundamental. The banks must back the deposits with their assets. The Basilea Agreement deals with the asset-operating reserve relation. Concerning our General Banking Law, we are quite behind.

To reach that level, we must allow the banks to reap benefits; however, it seems that the government sees the word benefit as an insult.

How can the government expect the private sector to put more capital in the banks if it does not reap any benefit? Thus, people cannot be blamed for not putting their money in the banks or for seeking benefits elsewhere.

[Carrillo] There are those who argue that the bankers are against the Accounting Manual or Debera Code. Can you give us your opinion?

[Garcia Mendoza] We have seen the Code. The Superintendency called us at a certain time and asked us for our opinion. In general, the Code is not bad; it is good. However, some of its elements must be corrected.

What has caused a problem is that such a complex change cannot be made in such a short time. I understand the interest the superintendent might have in better organizing the accounts, since in this manner they can be more easily reviewed. However, there is little time to implement this.

The superintendent's intention is laudable and correct, but he has not given enough time. However, I have read that he is giving a six-month extension, which demonstrates the understanding of the Superintendency.

[Carrillo] The TSS has just indicated that the granting of financial aid was not a criminal act, while the prosecutor general has stated that a criminal act was committed.

[Garcia Mendoza] Concerning the matter of the financial aid funds in the Court, it will be up to the Supreme Court of Justice to make a decision to this effect.

As for the economic aspect of the financial relief funds, I do not understand how these funds were granted without removing those in the boards of directors that were responsible for the crisis.

This does not happen anywhere else in the world. I do not know whether or not that is categorized as a crime,

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but placing money in the hands of the very people that led the banks into a situation that required financial aid and maintaining them in their position is reckless.

[Carrillo] The General Banking Law establishes that the banks must be shut down in order to carry out an intervention. These people decided that these banks should not be intervened in so as to prevent a situation such as that of Banco Latino. Consequently, the bank officials could not be removed because otherwise, the government would have to nationalize the banks.

[Garcia Mendoza] The banks might remain open or they might be closed for an intervention to be carried out. The General Banking Law is very clear. What happened was that the government-appointed administrator appointed the personnel, while others arranged the aid; as a result, this led to a political problem.

[Carrillo] The government has just announced that an agreement with the IMF will be signed soon. In Latin America, wherever an agreement of this sort has been implemented, has the financial sector always crashed?

[Garcia Mendoza] No one turns to the IMF for the sake of it. That is the last recourse for any government, because that organization has very particular objectives and imposes certain conditions in order to grant aid to any country.

To turn to the IMF does not mean simply to go there to talk. In exchange for the talks and certain promises, countries obtain some financial resources.

To turn to the IMF implies that first a plan must be structured: how it will be implemented and how it will be managed.

This is not about the IMF just giving some money for the government to use as it pleases. This is not the idea. Receiving money from the IMF implies that a government must arrange a very competent and compact team of persons in order to administer the IMF funds.

[Carrillo] Why are you referred to as the Ayatollah of the financial system?

[Garcia Mendoza] The truth is that I have banker friends who call me that, and it is probably because of the very particular training we have at the bank. We tell people the truth, and in this country, people often like to be told the truth [as published].

This is not characteristic of the nature of the Venezuelans, who prefer to say pleasant things and pat people on the back.

I believe this is a process of labeling because often, when someone does it, it is in an attempt to discredit another person. If my opinion were agreeable, there would not be any problem.

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